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In 3 Sections – Section 1

The Commercial and FINANCIAL CHRONICLE

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Congressman Buffett Says Security Business Must Act Now

The investment fraternity should act now in formulating plans and making suggestions to Congress for any needed revision of the Securities Act, in the opinion of Hon. Howard Buffett, Representative in Congress from Nebraska, whose views were contained in a letter addressed to the Editor of the "Chronicle," under date of Feb. 11. Mr. Buffett declared that he was in agreement with the article "NASD Profit Limitation Rule Would Close Capital Markets To Small Business," which appeared in these columns on Feb. 3, and expressed his willingness to aid in bringing to the attention of Congress any proposals which would facilitate the financing of small enterprise after the war. The initiative with respect to developing a program for Congressional consideration, he said, must come from those active in the securities industry, adding that "having been in the securities business for some 16 or 17 years myself, I have an intimate knowledge of its operating problems." The financing of small business, Representative Buffett said, represents one of the most important post-war problems confronting the nation.

Howard Buffett

Willkie Contends Inadequate Tax Bill Largely Administration's Fault

Regards Government's Extravagances As Viewed By Many As Affording Additional Funds For Further Profligate Spending

In a statement issued on Feb. 27, Wendell L. Willkie, commenting on President Roosevelt's veto of the tax bill, and the overriding of the veto by Congress on Feb. 25, stated that "the fact that today we have an inadequate tax bill is not primarily the fault of Congress. It is largely the fault of the present national Administration, which over the last years has so extravagantly and wantonly wasted the people's money that many Americans see the payment of additional taxes as merely providing additional funds for more profligate Government spending.'' Mr. Willkie went on to say:

Wendell Willkie

"If it had not been for this record of extravagance, the need for additional taxes now would be both obvious and accepted by all Americans. The American people recognize that a hard war must be fought the hard way—that it must be an all-out war. They are eager to match at home, as best they can, the sacrifices being made by our fighting men who are risking and giving their lives.

"The additional income that the war has created should be taxed, and taxed heavily. For we need this additional revenue to pay for the war—to pay for as much of the war as possible while we fight. We must not mortgage

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A Post-War Program For Taxation Of Corporations And Stockholders

By EUSTACE SELIGMAN*

Mr. Seligman Proposes A Four-Point Program Of Tax Revision, Comprising The Elimination Of Corporation Taxes In Excess Of 5%; The Adoption Of A New Method Of Taxing Capital Gains; The Reduction Of Individual Taxes On Large Incomes; And Special Reduction Of The Tax Rate On Income From Risky Enterprises

While the war has not yet been won, and while there is a very real danger of a weakening of the war effort through diverting too much of our attention to post-war problems, nevertheless in the domestic as well as the international field it is essential that when the war does end, we have programs ready for adoption.

Eustace Seligman

The program for a post-war policy of taxation of corporations and their stockholders which will be advocated in this paper

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*A paper read before the American Philosophical Society, Independence Hall, Philadelphia, Pa., Feb. 19, 1944. All of the papers read at the Midwinter Meeting will appear in an early issue of PROCEEDINGS published by the Society. Mr. Seligman is a partner in the New York law firm of Sullivan and Cromwell.

(Continued on page 908)

Symposium On Question Of Post-War Price Fixing, Rationing

Whether the existing price control and rationing measures should be continued after the close of the war constitutes one of the more important questions uppermost in current discussions of post-war planning. In an effort to sound out a representative cross-section of public opinion in this matter the "Chronicle" recently requested various personalities in Government, business and financial circles to express their views regarding the subject. A considerable number of the opinions adduced by the symposium appeared in our issues of Feb. 17 and Feb. 24, starting on the cover page in each instance. We give now another group of comments and others will be published in subsequent issues.—Editor.

For index see page 912.

HON. FIORELLO H. LaGUARDIA
Mayor of the City of New York

I would say that from information we have at this moment, I believe it would be necessary to continue price fixing for food surely and perhaps for clothes for a period immediately following the cessation of hostilities. The demand for food, clothes and medical supplies will be greater for a period of from six to nine months following the war than it is at this moment, and

F. H. LaGuardia

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Hansen Says Huge Govt. Borrowing Not Necessarily Inflationary

Prof. Alvin H. Hansen, Professor of Economics at Harvard University, in an address before the Tax Institute Symposium in New York City on Feb. 7, discussed the inflationary potentialities of the public debt. After pointing out that the process of Government borrowing increases the quantity of money (currency and demand deposits) only when individuals effect their purchases of the bonds by borrowing from the banks or when the banks buy the bonds directly he notes "a rise in the volume of deposits need not, however, affect the cost of living or the general level of prices. The newly created deposits will be used by the Government to finance its expenditures and will be transferred to private corporations and individuals. These in turn may hold the deposits idle or, in other words, as a liquid asset available for future tax payment or for post-war reconversion. Clearly, we are interested not in the quantity of currency and demand deposits, but rather in the flow of expenditures, public and private."

Alvin H. Hansen

Professor Hansen next took up the question of the inflationary effect of heavy Government expenditures and concludes that "an increase of total expenditures, public and private, may or may not produce a price inflation. An increase in total expenditures will, of course, result in a general increase in the effective demand for goods and services. But, if one starts with a condition of unused resources, an increase in effective demand all around will, for the most part, result in an increase in employment and output without an increase in prices. With respect to commodities for which the output cannot easily increase, prices will tend to rise long before full employment is reached. This applies particularly to agricultural commodities. It is for this reason that in general any increase in employment in the urban communities will quickly reflect itself in an increase in agricultural prices."

In his remarks, Professor Han-

(Continued on page 902)

Inflation Antidote—

High Production and Low Taxes

This country has had experience with major inflation on four occasions—the Revolutionary War, the War of 1812, the Civil War and World War I. With the end of World War II, will history repeat itself? Shall we have the inflation that many economists predict as inevitable with the passing of war-imposed controls, or shall we have the deflation that others anticipate?

The Last Post-War Period

Too recent to be forgotten was the sequence of inflation and deflation that accompanied and followed the last war. From 1914 to 1920 the level of commodity prices was practically doubled and the value of the dollar almost cut in half. In 1920 the boom collapsed, and within a year prices fell by 45%, bringing a measure of bankruptcy to business, unemployment to labor, and foreclosures and depression to agriculture.

The end of the first World War saw exhaustion throughout Europe, with uncontrolled inflation of the most violent type in Germany. Remote indeed is the prospect of the American housewife buying an egg or a loaf of bread with a basketful of paper money.

The Danger of Inflation

Not that there is no danger of inflation here; in fact, the danger, theoretically, is greater than during the last war and post-war period. War, the last time, took a quarter of our national income; this time it is taking more than half of it. During the last war we spent about $30,000,000,000; during this one we have already spent more than $150,000,000,000, and how much more we shall spend before the war is over no one can predict with accuracy.

The root of inflation is in this

(Continued on page 904)

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T. S. Shore Partner In Goldman, Sachs

T. Spencer Shore has become a general partner in Goldman, Sachs & Company, 30 Pine Street, New York City, members of the New York Stock Exchange and other national exchanges, rejoining the investment banking firm with which he began his business career in 1926. Mr. Shore has resigned as vice president and treasurer of The General Tire & Rubber Company, of Akron, Ohio.

T. Spencer Shore

After graduating from the University of Missouri in 1924, Mr. Shore received his degree from the Harvard Business School in 1926, and entered the employ of Goldman, Sachs the same year. In 1931, he joined General Tire and was elected assistant treasurer. Five years later he became treasurer, and in 1941, he was elected a vice president and director.

In August, 1941, Mr. Shore obtained a leave of absence to serve with the War Production Board, where he was director of the division of Industry Advisory Committees. He returned to his duties at General Tire in December, 1942.

Mr. Shore is a member of the board of directors of the Eagle-Picher Lead Company of Cincinnati, and of the Standard Steel Spring Company of Coraopolis, Pennsylvania.

Mr. Shore's admission to partnership in Goldman, Sachs & Co. was previously reported in the "Chronicle" of February 17th.

Rothfeld With Reynolds

Reynolds & Co., Members New York Stock Exchange, announce that Mr. Robert B. Rothfeld is now associated with them in their office at the Sherry-Netherland, Fifth Avenue at 59th Street. Mr. Rothfeld was formerly manager of an uptown branch for Fahnestock & Co.

In This Issue

PENNSYLVANIA SECURITIES section containing information and comment pertinent to dealer activities in that State starts on page 898.

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

NASD Headache Continues

Ever since the Board of Governors of the National Association of Securities Dealers promulgated its "5% spread philosophy," that organization has been in a seething turmoil because of the storm of protests which resulted and which is continuously gathering momentum.

At first, for fear of reprisals, the anger of dealers in securities was self-suppressed. The "power of visitation" possessed by the Securities and Exchange Commission and the NASD was regarded as a sword of Damocles. There was also the danger of exclusion from underwritings and participation in secondary offerings and the like.

In years gone by, when anyone was made a member of the Board of Governors of the Stock Exchange, the appointee was usually showered with new business. That was a way of making a bid for the goodwill of one powerfully placed on a body that then ruled with an iron hand.

Take the converse of this. Some fanatics committed to the "5% spread philosophy" have been withdrawing business, or it is feared, they will diminish the number of their trades with those in their circle who are fearless in espousing the American doctrine of free enterprise. As an indication, too, that such fears are not unfounded we have only to mention the fact that some of those in this category have seen to it that the "Chronicle" was discriminated against with respect to advertising because of its opposition to the "5% spread philosophy."

Despite all these potential threats to their commercial well-being, dealers have become, and are increasingly becoming, more articulate in their firm opposition to the doctrine of placing a ceiling on "spreads" between the purchase and sales price of securities.

At first, opposition preferred to hide its identity. Many of our readers wrote to us asking that if we published their letters, the names be withheld. In one way or another, either directly or by inescapable inference, fear was expressed, fear of quick reprisals. Correspondents said that they "didn't want to stick their necks out," or "act as the goat," etc., etc.

Gradually, however, some degree of courage came to the forefront. Dealers began writing in and authorizing the publication of their signed letters. The issue was regarded, and is regarded, as of first importance, as affecting the very life's blood of business generally. The storm of opposition is daily becoming more ominous, promising to reach proportions where the whole structure, if not the very existence, of the National Association of Securities Dealers may be at stake. There is talk of legislative relief by curtailment of NASD powers.

The feeling is prevalent that the passage by the Board of Governors of a rule which under the by-laws of the NASD should have been submitted to the franchise of the membership, constituted a betrayal of that membership.

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Promoting Labor Harmony In The War Effort

By GUSTAVE SIMONS*

Anyone active in the battle of production, so essential to our war effort, is faced with these problems:

1. How may greater harmony between labor and management be produced?

2. How may the conflict between pressure for higher wages and the desire to avoid inflation be resolved?

Gustave Simons

3. What can be done to ease the physical and mental toll resulting from the pressure of production which has caused more deaths than have occurred on the front line itself? The battle for production is a mental one, and the solution to the foregoing problems is found in morale rather than in any tangible facts.

Labor which hears of so-called fabulous profits on every hand, while its own wages are frozen, voices increasing discontent. This discontent is enhanced as the toll of illness, death and disability is observed.

Wide experience in the field of labor relations in the field of war production has demonstrated that the best single solution for this battle in the vital job of production is to be found in the Employees Benefit Plan.

In such a plan, a group of eligible employees is designated. Various formulae are permitted. All with a certain period of serv-

(Continued on page 905)

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*Mr. Simons is a Labor Relations Representative, active in War Production.

Why NASD 5% Rule Will Close Capital Markets To Small Business

Editor, "Commercial & Financial Chronicle":

In your Feb. 24 issue of the "Commercial and Financial Chronicle" there is a very splendid article titled, "NASD 5% Rule Threat to Post-War Employment and Small Business," by Philipp H. Lohman, Ph.D. This article is one of the best and most timely ever published by you. In part, it dealt with a phase of the security business in which our firm is much concerned.

We have underwritten issues from $250,000 to $500,000 and originated larger issues up to $4,000,000 in which other investment firms have joined.

When the Government gave many smaller companies all the capital required, which was formerly supplied through the investment channels, the services of underwriting firms like ours became unnecessary. This is the principal reason why the number of applications for qualifying of corporate financings before the Securities and Exchange Commission dwindled to almost zero for the past two years, which condition continues to prevail today.

Our firm has kept the door open by working on other matters, awaiting the day when the war is over and the Government is no longer supplying working capital, but, on the contrary, desirous to liquidate its many investments in equipment and defense plants to those companies now using such facilities for war purposes. We thought we could foresee a revised and prosperous underwriting business bailing out Government investments and supplying new capital for many smaller companies for expansion of their post-war business. We felt there was great possibility of rendering important service to help provide jobs for returning soldiers and sailors in the period of post-war readjustment.

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Bank Investment Policy And National Fiscal Requirements

By HERBERT SPERO, Ph.D.

Dept. of Economics, The City College of New York, School of Business and Civic Administration

Formerly Member of Staff of Research Council of the American Bankers Association (1939-1941). Author of "Reconstruction Finance Corporation Loans to the Railroads" (1932-1937).

Although Government bond holdings of our commercial banks now stand at $62 billion, the highest level in history, it is not likely that they will decline after the war. In fact, it appears probable that the post-war period will witness further expansion.

One important factor which may account for an early post-war growth in bank bond holdings is the probability of public liquidation of savings bonds. Another is that industrial corporations may also wish to realize on their Government bond investments — holdings which are presently kept intact for subsequent use as post-war reserves. And further additional expansion may occur if production and employment slump as the result of lack of stimulus from private investment. In that event, a program of "government investment" would offer the path of least resistance to any administration. Large-scale deficit financing would quiet public clamor for more direct and aggressive measures to deal with unemployment. In such a setting, the national debt would continue to swell and the burden of financing would fall upon the commercial banking system. Post-war bank investment policy will be determined, therefore, in large measure, by influences outside the banking system.

Dr. Herbert Spero

Consider the large volume of savings bonds outstanding in the hands of the public. As of the last year end, some $27,500,000,000 were in the hands of the non-banking investors. And with continued emphasis by the Treasury on placing the national debt in the hands of its citizens, total savings bonds may increase this year in an amount equal to the $12,500,000,000 expansion reported for 1943. Thus, by the end of 1944, total savings bonds easily may reach a total of $35 billion or more.

Currently, investors are cashing in their savings bonds at the rate of $132 million per month. During 1943, $1,585,000,000 of these bonds were redeemed. After the war ends and the patriotic stimulus is dissipated, it is not unlikely that redemptions will increase rather than diminish.

During the post-war period many people will want to cash in part of their bond holdings to avail themselves of some of the luxuries which they have temporarily surrendered. Furthermore, if the period of post-war dislocation is protracted and sharp unemployment results, redemptions will certainly expand in response to pressing necessity.

Liquidation of Government bond holdings may also be expected from industrial corporations. Corporate holdings of Treasury issues are estimated at roughly $17 billion, and much of this amount has been earmarked as post-war reserves. In the ordinary course of events, financial requirements for plant rehabilitation, reconversion and expansion will necessitate the sale of a large volume of these Treasuries.

But, most important of all, we must not overlook the possibility of a program of deficit-financing in the post-war period. Such a program would increase the burden on the banking system, as bank credit would furnish the only practicable means of financing. And deficit-financing seems assured if the boom, which so many economists predict, fails to materialize promptly.

On the credit side, our post-war economy will be favorably affected by the large savings accumulated during the war years, and the tremendous deferred demand for peace-time goods. But, on the other hand, governmental policies may be such as to discourage private investment and enterprise. International currency stabilization, despite present discussion, may yet be unsettled.

(Continued on page 911)

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James A. Jackson Pres. Of Continental Bank & Trust Co.

Lazard Freres Partner Last Eight Years

James A. Jackson, for the last 8 years partner of the investment banking firm of Lazard Freres & Co., returned on March 1 to the field of commercial banking by becoming President of The Continental Bank & Trust Co. of New York. He was formerly a Vice-President of the National City Bank of New York.

James A. Jackson

As President of the Continental Bank & Trust Co., which was founded in 1870 and greatly expanded its activities in the field of commercial banking in the last few years, he will have opportunity to give full scope to the ability which won his recognition as a commercial banker before he entered the investment banking business.

Mr. Jackson's election to the Presidency leaves Frederick E. Hasler, who assumed the additional duties of President upon the death of Frederick H. Hornby in 1942, free to devote his services to the duties of Chairman of the Board.

Mr. Jackson, the new President of the Continental Bank, was born in Missouri, where his father was President of the People's Bank of Troy, and he was graduated from the University of Missouri in 1910. His first job was with the Gate City National Bank at Kansas City. In 1915 he went into the farm mortgage business at Fort Worth, Texas, and two years later entered the employ of the National City Bank of New York.

In 1922 he was elected a Vice-President of the bank in charge of the Chicago, St. Louis, Kansas City, Minneapolis, Dallas and San Francisco Federal Reserve districts. After serving in that capacity for 14 years, he left the National City Bank to become a partner in Lazard Freres & Co. where his long banking experience and many business contacts proved a valuable asset to the firm; he continues as a substantial stockholder of the bank.

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F. L. Free & Co. Formed

Announcement is made of the formation of Frederick L. Free & Co. to deal in over the counter securities from offices at 19 Rector St., New York City.

John McCarthy Joins Alfred L. Baker Co.

CHICAGO, ILL.—John McCarthy, widely known in midwest banking circles, has become associated with Alfred L. Baker & Co., 111 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. McCarthy originally came from New York to join the staff of the old Continental National Bank, following which he engaged actively for many years in the commercial paper business as a partner of Hathaway & Co. For a short time recently he has been connected with the Federal Reserve Bank.

NASD Hearing Put Off By SEC Until March 29

The Securities and Exchange Commission announced on Feb. 26 a further postponement until Wednesday, March 29, of oral arguments in proceedings to review disciplinary action taken by the National Association of Securities Dealers, Inc., against certain members for violation of a price-maintenance agreement. A previous extension until March 1 had been granted to enable the Association to file a reply to briefs of the Department of Justice. This was reported in Associated Press dispatches from Philadelphia on Feb. 26.

Sellger, McGinnis To Be Partners In Pflugfelder, Bampton

Patrick B. McGinnis and Hugo E. Sellger will become partners in Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, on March 9th. Mr. Sellger and Mr. McGinnis, who is well-known as a rail analyst, have been associated with the firm for many years.

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Urges Preference In Govt. Jobs For Veterans—Proposes Employers Use Govt. Record As Guide

Legislation Favored By President

The principle that ex-service men shall be accorded preference in Federal employment was laid down as a Government policy by President Roosevelt on Feb. 28. He was also indicated as stating that the record of the Government as to veterans "must be one which will constitute an example for all employers."

The request for legislation which would empower the President for the rest of the war and five years afterward, to designate Federal jobs which would be available exclusively to veterans, was made to Congress on Feb. 28 by the President, according to the Associated Press, from which we also quote:

Where non-veterans are not excluded from competition for employment, veterans under this proposed legislation would get special consideration through a system of adding war service points to their other qualifications.

The policy was set forth in letters to Harry B. Mitchell, of the Civil Service Commission, to the heads of all Executive Departments and agencies and to Robert Ramspeck, Democrat, of Georgia, Chairman of the House Civil Service Commission.

In his letter to Representative Ramspeck the President said that he believed legislation relating to preference for veterans in Federal jobs should include this provision:

"Authority should be granted during the war and for a period of five years following the war, to restrict to veterans examinations for such positions as may, from time to time, be designated by the President."

"Those who are fighting for the life of the nation today," Mr. Roosevelt declared, "will, upon their return to civilian life, be in a position to make a unique contribution to the administration of government. We should be in position to take full advantage of this fact."

The main points on which the President asked legislation in addition to that giving him authority to designate jobs exclusively for ex-service men are:

(1) Provision for the point system which would give veterans a head start on other competitors for non-exclusive Federal jobs.

(2) Authority for the Civil Service Commission to determine the validity of reasons given by Government officials for passing over a veteran to employ a non-veteran. "This will center in one agency the responsibility for determining whether or not a veteran is entitled to consideration for a particular job," the President wrote Ramspeck.

(3) Provision for special consideration for veterans whenever Government agencies have to cut down their personnel.

These principles are covered substantially in legislation already introduced by Representative Joe Starnes, Democrat, of Alabama, Mr. Roosevelt said, and "I sincerely hope, therefore, that this bill may receive the early and sympathetic consideration of the Congress."

Chairman Of British Chemical Industries Cites Value Of Private Enterprise In War Effort

Speaking before the Glasgow Chamber of Commerce on Feb. 1 Lord McGowan, the head of the Imperial Chemical Industries, one of Great Britain's largest industrial corporations, for the first time since the outbreak of the War, gave an account of the high accomplishments of his firm in promoting the war effort. This work was started as early as 1935, when the Imperial Chemical Industries began the extraction of oil from coal. Since that time the output of oil from British coal has enormously increased, largely through the experimentation and research work undertaken by the company.

"Nowhere else in the Empire were there men with experience of the hydrogenation process," remarked Lord McGowan. "What State department, what body of civil servants, what Minister in Parliament would have dared to take the commercial risk involved in the decision which private enterprise took in 1935? Or, in the unlikely event of their daring to do so, what chance would there have been of getting it through Parliament, which would criticize the venture on every ground, and not least, that it was an unjustifiable risk of public money."

Lord McGowan expressed with pride the fact that his organization has had no major labor dispute in five years of war. "Surely this afforded some indication of the loyalty of the company's work people and indirectly, therefore, of their satisfaction with the treatment they were accorded under the much maligned system under which they work."

The accomplishment of the Imperial Chemical Industries in promoting the war effort was not peculiar to it. "I have merely used our company as an example," Lord McGowan stated. "What we have been able to do, most other enterprises have done according to their size and character".

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The partners of B. W. Pizzini & Co. announce the dissolution of the firm, and the establishment of a new firm under the name of B. W. Pizzini & Co., Inc., with offices at 55 Broadway, New York City. B. Winthrop Pizzini is president of the new firm, and W. Gurden Halsey and Gale B. Crutchfield are vice-presidents. Harold J. Stamler is secretary and treasurer.

B. Winthrop Pizzini

B. W. Pizzini & Co., Inc. are specialists in guaranteed and leased line railroad stocks; minority railroad stocks; dealers in leased line, terminal and underlying railroad bonds, and participating distributors.

Mr. Pizzini is first vice-president of the National Security Traders Association.

Kidder, Peabody Leads In War Bond Drive

In the Fourth War Loan drive just ended, Kidder, Peabody & Co., 17 Wall Street, New York City, investment bankers and members of the New York Stock Exchange, led 448 other firms in the Banking and Investment division of the War Finance Committee in the drive to get 1,000,000 subscriptions in the area south of Fulton Street. More than 6,000 workers participated in carrying the financial district over that goal. The Kidder, Peabody organization alone accounted for 2,117 subscriptions totaling $5,377,600. Two of the firm's salesmen sold more than 400 subscriptions each.

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation, according to a study prepared by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

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Bond Price Comparison Of Hotels
Brief Resume Of The Windemere Hotel

1937 was a banner year for prices of New York City hotels, while 1940 was in most cases the poorest-price year.

It is, therefore, interesting to compare the current prices of the various issues together with their prices of 1937 and 1940.

	Price this week	1937	1940
Hotel St. George	59	60	24
Governor Clinton	54	35½	14
Hotel Drake	48¼	47	21
Park Central Hotel	51½	64	24
Savoy Plaza	48½	62½	24
Sherry Netherland	37	44½	7½
Lombardy	33½	66½	18
Waldorf Astoria	29	42½	4
Windemere	35	47	22

The comparison indicates that only two issues are now above the 1937 highs. In view of the fact that current earnings are considerably higher now than during 1937, it is surprising that the entire list of prices is not similarly higher at the present time.

For instance, gross income of the Sherry Netherland Hotel for the six months ending June 30, 1937, was $406,000, while for the same period in 1943 the gross income was $602,000, yet the bonds are selling for less now than they were in 1937.

The last hotel on the list, the Windemere Hotel, seems worthy of some attention from an income standpoint. Interest on the bonds is fixed at 3% with a provision for additional interest up to 4½%, earnings permitting. Sinking fund provision provides for the use of all excess earnings above the 4½% to be used for retirement of bonds until the issue is reduced from present $2,565,500 to $1,300,000.

A noval situation is that the entire capital stock of the owning and operating corporation, together with the deed to the property, has been placed in escrow with the trustee, subject to forfeiture in the event of default before the issue is reduced to $1,300,000.

In addition to this unusual protection for the bondholders, they also have the additional protection of a requirement that the owners must pay the trustee **monthly** all surplus income from the property after deduction of regular operating expenses other than taxes, which must be applied as follows: First to payment of taxes, then interest up to 4½% per annum, and then for sinking fund for the retirement of bonds. Any deficiency in the surplus income held by the trustee for payment of fixed charges must be paid by the company free and clear of any charge against future earnings.

The bonds are secured by a first mortgage on land owned in fee situated at the northeast corner of West End Avenue and 92nd Street, New York City, together with the 22-story apartment hotel building standing thereon. The plot fronts 100 feet on West End Avenue and 160 feet on West 92nd Street and comprises an area of approximately 16,000 square feet. The building is of steel frame, brick and reinforced concrete, fireproof construction and contains 623 rooms divided into 398 apartments, principally consisting of one and two rooms. There is also a dining room on the ground floor of the building. One hundred fifty-six of the apartments, comprising 205 rooms, are furnished and the furniture and furnishings therein contained are also subject to the lien of the mortgage.

Wall Street Riders Elect New Officers

At a recent meeting of the Wall Street Riding Club the following officers were reelected for the season: Frances M. Weller of Harry Downs & Co., President; Regina Hankinson of Adolph Lewisohn, Vice President & Treasurer; Mildred V. Marsh of McLaughlin, Baird & Reuss, Secreary. Directors elected to serve for a term of two years were: Emily Richards, Gordon Goff, Anne Compton, Marie R. Cambridge, Mildred Marsh, Regina Hankinson. At this meeting, Jesse Gordon, founder of the Club and who is now serving overseas with the Army, was elected an Honorary Member. George I. McKelvey, Jr. of Darby & Co. has consented to serve on the Board of Advisors with Messrs. Harvey D. Gibson, E. Roland Harriman, Jansen Noyes and John M. Schiff. While many members of the Club are now serving with the armed forces, both here and abroad. the Club still looks forward to an active season.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Hartford Empire Co.; Long Bell Lumber Co.; Southwest Lumber Mills; Great American Industries; Kellett Aircraft; Mid-Continent Airlines; Richards, Haskelite; Doyle Machine Tool; Metal & Thermit; A. E. Staley; Central Electric & Tel.; Massachusetts Power & Light $2 preferred.

Bank Stocks And Their Investment Value

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., have prepared an attractive booklet entitled "Facts, Figures and Opinions on the Nation's Leading Bank Stocks." Contained in the booklet is a survey of six bank stocks which represent investment opportunity, the firm believes, and warrant the time and attention of the investor interested in safety of principal, adequate return, and price appreciation possibilities. Copies of the booklet, which is envelope size, are available to dealers in reasonable quantity.

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Treasury Refunding

Announcement was made by the Treasury Department on Feb. 28 of plans to refund $4,730,000,000 worth of securities in an exchange offering to be made formally today (March 2). Three Treasury and four corporate issues are involved in the refunding operation, said Associated Press accounts from Washington, which added:

"The type of securities to be offered in exchange will not be announced until Thursday.

"The securities, maturity or call dates and amounts outstanding: 1% Treasury notes of series B-1944, March 15, $515,000,000; 3¼% Treasury bonds of 1944-46, April 15, $1,519,000; ¾% Treasury notes of series A-1944, June 15, $416,000,000; 3¼% Federal Farm Mortgage Corporation bonds of 1944-64, $95,000,000; 3% Federal Farm Mortgage Corp. bonds of 1944-49, $835,000,000; 1% Reconstruction Finance notes of series W, April 15, $571,000,000; 3% Home Owners' Loan Corp. bonds, series A, 1944-52, May 1, $779,000,000.

"The redemption call for the 1944-46 Treasury bonds was issued last December."

J. A. Francoeur Now With David A. Noyes

CHICAGO, ILL. — J. A. Francoeur, well known specialist in Chicago traction securities, has become associated with David A. Noyes & Company, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. He will head a department to specialize in this class of securities.

Mr. Francoeur was recently with Brailsford & Co. Prior thereto he was an officer of Traction Securities, Inc. and was manager of the traction securities department of Paul H. Davis & Co. In the past he conducted his own investment business in Chicago.

Interesting Situation

The current situation in Hartford-Empire Company appears interesting according to a memorandum on the company issued by Ward & Co., 120 Broadway, New York City. Hartford-Empire occupies the unusual position of being possessed of more than $10,000,000 in cash and United States Government bonds, but being operated under conditions of receivership because of extensive anti-trust litigation. Copies of the memorandum discussing the situation in some detail may be had from Ward & Co. upon request.

N. Y. Analysts To Hear

On Monday, March 6th, the New York Society of Security Analysts, Inc. will hear John E. Slater, executive vice-president of American Export Lines, Inc., on "America's Merchant Marine, Now and After the War."

On March 8th, Allan B. Du Mont, president of the Allan B. Du Mont Laboratories, Inc., will speak on "A Preview of Television."

All meetings are held at 56 Broad Street, at 12:30 p. m.

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Tomorrow's Markets Walter Whyte Says—

Offerings still equalize bids—So market presents stand-off position—Chasing stocks at present prices a poor policy—wait for minor setbacks

By WALTER WHYTE

The rail action has been advertised so widely there is little one can add to it. Coincidental with the new highs in the group two versions of its future action have followed in its wake. One theory has it that the rails, having registered new highs, show clearly they are headed for higher levels. Another, equally vociferous, sees nothing but headaches ahead and warns that instead of buying all rails now, the proper action is to sell.

* * *

If the truth were known, both sides have got something. Unfortunately, you can't make money by following both sides unless you are agile enough to follow individual wriggles; that, in turn, presupposes daily tape watching. So, instead of discussing the rails and adding to the prevalent confusion, this column will limit itself to the industrials. More specifically, to those issues in which it is committed.

* * *

American Steel Founders, bought at 25 is now about 27. Between the latter figure and 28 stock will meet offerings which may be big enough to stop it. If they check the upward rise, a reversal in trend—even if only temporary—is quite likely. If the rest of the market showed enough guts, my advice would be to disregard offerings on the assumption that the general trend would be enough to get individual stocks through obstacles. But, with the market in a I-don't-know-what-I'm-going-to-do next position, no such assistance is likely. I therefore suggest taking your two points or so profit at 27 or better and sit

(Continued on page 909)

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Would Fire Bureaucrats To Celebrate Victories

An American adaptation of the Russian practice of firing "a couple of hundred guns" to celebrate a victory was recommended in the House by Representative Hugh D. Scott, Jr. (Republican, Pennsylvania), who suggested that "The United States should celebrate its victory by firing a couple of hundred bureaucrats."

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Railroad Securities

Many rail men have been pointing to the Chicago Milwaukee St. Paul & Pacific gold 5s, 1975, as one of the most attractively valued of the reorganization bonds at recent levels. This opinion is based not only on the indicated present value of the securities allocated in the ICC reorganization plan, but, also, on the anticipated improvement in the status of these new securities by application of additional excess cash accruing in the period between now and consummation of the plan.

In hearings before the ICC last summer it was estimated that cash by the end of 1943 would amount to $120,633,378, of which $52,038,000 is earmarked for distribution to creditors under the plan. Another $63,152,000 was earmarked for such items as taxes, deferred maintenance, retroactive wage increases, working funds, etc., leaving an estimated $5,443,000 of unassigned excess cash. The year-end balance sheet filed with the ICC shows a total of cash and temporary cash investments just about in line with the mid-summer estimates.

Actually, however, the financial condition is better than indicated by these figures, as these cash items did not include $5,800,000 in Government bonds already set aside for deferred maintenance. With this fund already set aside there is obviously no need to provide for it again out of the cash and temporary cash investments the company shows on its balance sheet. Unassigned excess cash as of the end of last year, then, may be placed at $10,631,000 rather than the $5,443,000 indicated in the company's initial estimates. To this will be added cash released from 1944 earnings, as the reorganization obviously can not be completed until some time in 1945.

It seems safe to assume that St. Paul's traffic and revenues this year will be above the 1943 level. In fact, in petitioning for authority to finance new equipment purchases recently the trustees stated: "* * * High ranking officers in the transportation divisions of the Army and Navy have advised that war traffic to Pacific Coast ports is expected to increase from 50% to as much as 100%. In addition, coal requirements in the Pacific Northwest have been considerably expanded, and the expected movement is estimated to amount to several million more tons than have been handled in the past * * *." Wages will be higher this year than last and the income tax burden will be considerably heavier. Nevertheless, the company should be able to report at least $35,000,000 available for charges after depreciation and all taxes.

In 1944 fixed and contingent charges under the reorganization plan will absorb about $9,000,000 and the year's preferred dividend requirement another $5,608,700. Also, the maximum additions and betterment fund will be some $1,200,000 in excess of estimated depreciation of way and structures. Deducting all of these requirements, there would remain from estimated 1944 earnings a balance of $19,191,300. Together with the unassigned excess cash as of the end of 1943, this would allow the company to enter 1945 with $29,792,300 that could be utilized for additional debt retirement. Unless part of this cash is used to pay off the RFC loan (around $10,500,000) prior to reorganization—and considerable bondholder objection is expected if steps are taken to pay off the RFC—it could all be used to purchase the various new bonds in the open market after consummation of the plan.

The new St. Paul capitalization will be particularly simple, with direct debt confined to equipments, the new 1st Mortgage 4s and two series of Income bonds. There will be no divisional liens nor any secured notes of near or intermediate term maturity. There will be only $59,515,171 of the new 1st Mortgage bonds outstanding. Considering the markets for other reorganization 1st Mortgage bonds, there is little question but that they will be selling at a premium. In view of this factor, as well as the inherent soundness of the new fixed capitalization, it is expected that any post-reorganization debt retirement would be concentrated on the Income bonds.

There will be outstanding initially $57,257,000 of the Series "A" Income 4½s and $51,422,000 of Series "B" Income 4½s. It might be possible for the new company to buy these bonds in at average prices of 80 and 60, respectively. If the sum estimated as available for debt retirement ($29,792,300 by the end of this year) were divided equally between the two issues at the average prices mentioned above it would be possible to reduce the total outstanding Income bonds from $108,679,000 to $65,432,000 with an annual saving in contingent interest of $1,946,115. This would reduce total fixed and contingent interest to $6,904,000 compared with $10,200,000 originally contemplated for St. Paul by the ICC. After allowing for the regular 40% tax rate, the potential reduction in Income bonds through utilization of cash would add slightly more than $1.00 a share to the earning power of the new preferred stock.

Allowing for the potential reduction in charges, earnings on the preferred on the basis of estimated possible 1944 operations would come close to $25 a share.

(Continued on page 902)

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Public Utility Securities

Dangers Of The New Depreciation Policy

The new theories of depreciation reserves put forward by NARUC (National Association of Railway and Utility Commissioners) were commented on in this column in the Nov. 25 issue. Since that time the Public Service Commission of New York has applied the theory of straight-line depreciation reserves to the Niagara Hudson Power system, calling for an increase of $65,000,000 in the combined reserve. While it is doubtful that any large number of State Commissions will adopt the theory immediately, as the New York Commission appears to have done, nevertheless the situation is dangerous in its possibilities. Consolidated Edison, for example, has a ratio of reserve to plant of less than 10%, whereas the NARUC theory might require 25% or more. While Edison is well protected by earned surplus to take care of any future adjustment, the increase in the reserve might substantially reduce the rate base and pave the way for rate reductions.

Samuel Ferguson, President of Hartford Electric Light Co., and a conservative leader in the utility industry, recently delivered an address on "The Effect of Arbitrary Property Write-Downs" and has also published a 92-page brochure on "Depreciation Accounting As Applied to Public Utilities."

The Federal Power Commission in its report, "The Financial Record of the Electric Utility Industry, 1937-1942," summarized the five-year progress of the industry as follows:

	5-Year Increase
Service rendered (kwh. delivered)	52%
Ability for service (kw. capacity)	17
Customers served (number)	15
Maximum permissible reward (rate base)	1½

In 1942, as compared with 1941, service increased 10% while the rate base (net plant) declined 0.7%. Mr. Ferguson states:

"The report correctly attributes this greatly disproportionate reward, with respect to the increased services rendered, to its system of depreciation accounting which has become increasingly effective during the five-year period, culminating in the last year in an actual decrease in permissible earnings in spite of 10% increase in service rendered.

"It is time for the American public to realize how far we have already traveled on the road leading to a collectivist state without their knowledge; and at the very time when they are waging total war with the chief exponent of National Socialism. . . .

"The author wholly acquits the Federal Power Commission of having had such an objective in mind years ago at the time of the adoption of its present system of accounts. He has, however, good reason to believe that other influential men working behind the scenes did visualize such an eventual result and over the years have succeeded in selling this method of depreciation accounting. . . ."

Applying the Commission's theory to his own company, Mr. Ferguson points out that with an assumed maximum service life of 30 years (as used for steam turbo-generator units for income tax purposes) the 20-year-old turbines in the Hartford plant would now have lost two-thirds of their value, so that only one-third may be included in the rate base. However, they have actually deteriorated only slightly, are just as good as ever for lower-stage pressures. From a practical standpoint they have been given a new and indefinitely prolonged lease on life (in connection with the superimposed high-pressure unit for the higher-pressure stages). In fact, he thinks that they may well be good for 100 years more, although under the theory they are only good for 10 years. At the end of those 10 years the title will in effect have passed to the consumer.

Mr. Ferguson concludes that "under the influence of this 'service life' theory and the pressure for larger and larger reserves there will come a time when the companies will earn so little that that little will be an insufficient coverage for commercial loans and the necessary backing of equity money. The companies will thus be unable to finance the plant expansions needed by the public and the Government will be the only available source of money. When the Government takes over the furnishing of funds the conversion from preliminary collectivism to nationalization will have taken place."

Goodwin Beach Now Is With Paine, Webber

(Special to The Financial Chronicle)

HARTFORD, CONN.—Goodwin B. Beach has become associated with Paine, Webber, Jackson & Curtis, 43 Pearl St. Mr. Beach was formerly with Brainard, Judd & Co. Prior thereto he conducted his own investment business in Hartford for many years.

Thos. M. Hess Joins Staff Of Wm. R. Staats

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Thomas M. Hess has become associated with William R. Staats Co., 155 Montgomery St. Mr. Hess was previously with E. F. Hutton & Co. Prior thereto he was a partner in Gibbons, Newlands & Hess and was an officer of Shaw, Hooker & Co.

Situations Attractive

Lukens Steel common, Muskogee Company common and preferred, and Central Illinois Electric & Gas common offer attractive possibilities, according to memoranda prepared by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of these memoranda may be obtained from the firm upon request.

State Draft Boards Get Instructions On Deferred Registrants

National Headquarters of Selective Service, immediately upon receipt on Feb. 26 of a memorandum from President Roosevelt to Maj. Gen. Lewis B. Hershey, Director of Selective Service, and Paul V. McNutt, Chairman of the War Manpower Commission, sent the full text of the memorandum to all State Selective Service Directors with the following instructions, according to an announcement of the Selective Service Headquarters:

"Forward text of the President's memorandum to all local boards and Boards of Appeal in your State. Direct local boards to review the cases of all registrants' ages 18 through 37 deferred in classes 2-A, 2-B, 2-C and 3-C. In considering the reclassifications of such registrants existing regulations, instructions and information will be applied in the light of the President's memorandum, giving particular attention to registrants under 26 years of age in view of the President's statement that agriculture and industry should release the younger men for military service. Replacement schedules should be considered for such revision as may be required to comply with the President's memorandum. Signed: Maj. Gen. Lewis B. Hershey."

"Local boards are expected to review all cases with strict application of the existing memoranda and regulations to all deferments, particularly those under 26 years of age, Selective Service Headquarters reported."

Alfred D. Smith With Fitch Inv. Service

CHICAGO, ILL. — Announcement is made that Alfred D. Smith is now associated with the Chicago office of Fitch Investors Service, 105 West Adams Street, as sales manager of their mid-western territory. Mr. Smith, who is well known in investment and banking circles throughout the country, was previously with the National Quotation Bureau serving for 18 years as Vice President and General Manager of the Chicago office.

Raymond Miller To Be Cohu & Torrey Partner

Raymond Van Vranken Miller will be admitted to limited partnership in Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, on March 9th. Mr. Miller was formerly chairman of the Board of Robinson, Miller & Co., Inc.

Guaranty Trust of N. Y. Situation Attractive

Guaranty Trust Co. of New York offers an attractive situation according to a bulletin prepared by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting bulletin may be had upon request from Laird, Bissell & Meeds.

Interesting Utility

The expected filing of a recapitalization by United Gas Corporation with the SEC should have a beneficial effect upon Electric Power and Light first preferred stocks, and possibly on the second preferred according to a study of the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, and other national exchanges. Copies of this study may be had upon request from Ira Haupt & Co.

Symposium On Question Of Post-War Price Fixing, Rationing

(Continued from first page)

there will be great danger of callous profiteering with the letdown.

HATTON W. SUMNERS

Representative in Congress from Texas

Hatton W. Sumners

It is well, of course, to give incidental consideration, in fact serious consideration, to what we will probably have to deal with when this war shall have ended. But what we shall have to do, as a matter of fact, will depend upon the condition which will then obtain and the resources which we will have at our command. The resources which we shall most need will be individual initiative, responsibility, and self-respect as distinguished from the notion that there will be at that time some supermen wise enough to do the thinking, planning, and managing, for a nation of free people. What these people mean by "planned economy" is that somebody will formulate a plan and the rest of the people either will be bribed or forced to fit their activities and efforts into this plan. That sort of an arrangement works best where there is one master and the rest are slaves.

LOUIS WARE

President, International Minerals & Chemical Corp., Chicago, Ill.

Louis Ware

I am of the opinion that price fixing and rationing should be dropped as soon as possible. I do not believe, even with demand as it is today, that many items would get out of line and that the natural forces as regards prices would be better. Higher prices are a deterrent against buying. There is a certain natural level at which prices belong, and when they are kept low by artificial controls the adjustment period afterward will also be difficult. In other words, where the selling price for some of our goods has been kept abnormally low, when there is a surplus there may be that sudden trend downward, starting from the artificial low level, and prices soon get into the area where business perishes.

I hope rationing and price fixing can be dropped promptly.

URBANE A. NOBLE

President, The First National Bank, Scranton, Pa.

While it may be necessary to extend both price fixing and rationing for a very short period of time following the end of the European phase of the war, yet in my opinion that period should be made as short as possible, for I consider that there is no place for either price fixing or rationing in this country excepting in time of extreme stress, and then only to the extent that it affects the national economy in a very pointed way.

FULTON LEWIS, JR.

News Commentator, Washington, D. C.

Fulton Lewis, Jr.

If the war both with Germany and with Japan were to end at about the same time, and that time were between harvest seasons, it is barely possible that there might be a shortage of some foodstuff lines until the following harvest.

I say "barely possible" because the Army has fabulous quantities of canned goods and meats stored up, far in excess of any peacetime needs and which should be releaseable immediately upon victory.

If, however, these reserves were inadequate to make up the deficiency, it might be necessary to continue a skeletonized system of rationing and price control until the first harvest is in.

Beyond that period there is no conceivable reason why either one should be continued, and every reason why they should be discontinued.

M. D. THATCHER

President, The First National Bank, Pueblo, Colo.

The question you ask as to the wisdom of extending controls beyond the end of the war does not seem to me subject to a categorical answer. Naturally, I think they should be abolished promptly, but it seems to me doubtful that that can be done in every case. Some control may prove necessary for a short period on gasoline and certain other items until supplies can be built up. I do not feel competent to comment on the matter at this stage.

DAVE ELMAN

Hobby Lobby Radio Program New York, N. Y.

Dave Elman

I am certainly against price-fixing or rationing in the post-war years. I do feel that it may be necessary to carry them for a few months into peacetime until commerce can be stabilized sufficiently to make certain that there will be no more inflation than we already have. But I am certainly against it as a steady practise.

SETH RICHARDS

Chairman, Richards & Blum, Inc., Spokane, Wash.

My opinion is that, with ample purchasing power which will be available and the danger of inflation because of this purchasing power and shortage of consumer goods, it would be almost necessary for some temporary controls to be maintained by the Government until production develops a balance and the law of supply and demand can operate freely again.

I wish to emphasize the words "temporary controls" which should be released as soon as the situation is well in hand.

KARL M. ARNDT

Associate Professor of Economics,
University of Nebraska,
Lincoln Neb.

K. M. Arndt

Should price fixing and rationing be extended into the post-war period? I think both should be continued during that limited conversion period when the war savings of consumers, in addition to their current incomes, are flowing into markets as yet inadequately stocked with the goods of peace. In my view, this rush of money may not be so explosive as some have feared, for should incomes fall sharply after the war savings might be prudently conserved. But I believe that we should be on guard against excessive and premature consumer (and perhaps industrial) purchasing not only to the general end of cushioning our economy from an inflationary jolt, but for the specific purpose of preventing the dissipation of war savings held in cash and in bonds. The citizen buying war bonds is told of the back-log of purchasing power he is patriotically storing up for himself. National policy should not allow this investment to vanish in an inflationary scramble for goods. It is true that the individual consumer has some responsibility in this matter; but I think the Government also has the responsibility of helping him, through rationing and price controls, to get real values in merchandise when his bonds are cashed.

These restrictions, analagous to letting the clutch in easily, may be necessary while the national economy is being shifted into civilian gear, but not afterward.

As to the precise nature and extent of these controls, I think it is too early to hazard a guess.

HON. C. DOUGLASS BUCK

U. S. Senator from Delaware

C. Douglas Buck

I can't see that rationing will be necessary, unless it be for a very brief period after the war, but I do believe that price fixing will have to continue for sometime after the cessation of hostilities if we are to guard against dangerous inflation.

ALBERT N. HOGG

Vice President, Corn Exchange National Bank & Trust Co.
Philadelphia, Pa.

I have been following the trend of economic development in this country for a great many years, and under normal conditions the cycles of trade were not too difficult to anticipate. All those old landmarks have been swept away, of course, by the war, and it is very difficult to chart a course covering post-war conditions. Any one who makes a positive statement about any of these things today is hazarding a guess.

What constitutes a sound domestic economy includes so many variables because of the war that I think the solution will be a slow one, but a process nevertheless that should insure the perpetuation of free enterprise.

PAUL S. DICK

President, The United States National Bank, Portland, Ore.

Paul S. Dick

To my mind, there are excellent grounds for fearing that Government controls of various kinds will be applied during the post-war period as well as for the duration. Notwithstanding this, it is my personal feeling that a certain amount of price fixing and rationing should be continued for an indefinite period after the war has been won. Price controls would tend to curb the inflationary trend. If, as now seems probable, this country will be called upon to feed and clothe the people of certain belligerent nations for a period following the end of the war, the continuance of rationing is almost unavoidable. When the threat of inflation has passed and when the citizens of the warring nations have demonstrated their ability to provide food and clothing for themselves, these controls should be immediately removed.

During the past few years both Congress and the people have been deprived of inherent rights and powers largely on account of war conditions. These prerogatives should be returned to where they rightfully belong without unnecessary delay.

For the reasons explained only, I would favor the continuance temporarily of price fixing and rationing. When conditions rendering these courses necessary have passed, both should immediately be discontinued.

HON. SAM H. JONES

Governor of Louisiana

Hon. Sam H. Jones

With reference to the development of a government controlled economy after the war, I want to say that I am among those who will use every ounce of energy and strength at my command to help maintain our democratic system of individual enterprise. No other system is thinkable for the American people. The questions of extending price fixing and rationing into the post war period will not necessarily have very much effect on the continuation of a free enterprise system. I do believe, of course, that an end to these controls should be brought about at the earliest possible date commensurate with general economic conditions:

1. Rationing. Rationing should be curtailed or discontinued by commodity groups after the war. This should be done in those commodities which evidence an adequate supply. As soon as the war is over the government should be able to turn loose considerable quantities of automobile tires and gasoline and the question of rationing these can be determined only by the supply that can be made available at that time. The rationing of metals could be relaxed within a relatively short time. The rationing of canned meats and canned vegetables should not be discontinued until after the supply available for consumption is adequate to meet the needs. This could not be until after the harvesting of the first crop of vegetables and an even longer period for the meats unless the Army was able to return considerable quantities to the market in a shorter period of time. In general rationing may be discontinued earlier than price controls but should be kept up until there is a relatively normal flow of goods in the particular group concerned.

2. Price Fixing. It would appear desirable to maintain price ceilings into the post war period as a means of preventing excess prices resulting from inflationary tendencies in the money market. The enormous financing that has been carried on by the government for war purposes is leaving the banks filled with deposits. If all the money available should go into circulation in the purchase of a limited quantity of goods, prices could be bid up very rapidly. It appears necessary, therefore, to maintain price control until the supply of goods is sufficiently large to meet ordinary market demands. It is hoped that this period will not be too long.

I am sure you will be interested to know that here in Louisiana we are doing a lot of economic planning for the purpose of enabling private enterprise to develop more fully the natural resources of this state and to thereby maintain the free enterprise system. It is expected that the development of the resources will provide work for all labor available and that the production of goods will make it possible for consumers to obtain food at reasonable prices. In other words, here in Louisiana we are doing a lot of economic planning for the development of private enterprise as the best means of forever preventing the possibility of a "planned economy."

FRANK L. KING

Executive Vice-President, California Bank, Los Angeles, Calif.

Frank L. King

I am in complete agreement with the thesis advanced by Dr. Hauhart in the Nov. 11, 1943, issue of the "Chronicle," that excessive Government controls conduce to collectivism and hence to the same degree tend to obliterate democratic institutions. Also I am convinced that the greatest economic and cultural benefits which a society can give its citizens can be achieved only in a democratic society where individual enterprise has the fullest play consistent with the common good.

It is in this light that we should examine the practical wisdom of extending economic controls into the post-war period. If the alternative to limited controls were to be chaos then 'it would seem that sound policy indicates the continuance of such controls; for history shows that chaos, and not order, is the most fertile ground for dictatorship and authoritarian government. Such controls as are retained should be dispensed with as rapidly as it develops they are no longer required. Perhaps the best way to achieve this would be to have the administration of these controls actively participated in by representative business men, thus insuring consideration for their judgments as to when regulation could be safely dropped.

From the practical viewpoint, one of the most pressing immediate post-war problems will be the apportionment of our production between the rehabilitation requirements of war-torn areas on the one hand and our own civilian needs on the other. Can this be done without the continuance of some rationing controls? And if rationing is retained and price controls are removed, what is likely to be the effect on our price structure? Closely tied in with these issues is the disposal of Government-owned surpluses at the end of the war.

Obviously, the solution of these and related problems requires forethought and planning which in turn implies a positive course of action. The important point, it seems to me, is that we must differentiate between the post-war adjustment period and what we are adjusting to.

Unfortunately, whether we like it or not, the waging of modern total war by a democracy or a dictatorship, necessarily has totalitarian aspects to it. And the only way a democracy can return to its normal way of life is by avoiding confusion and disorder as it retraces its steps.

DR. J. ANDERSON FITZGERALD

Dean, School of Business Administration, The University of Texas, Austin, Texas

Dr. J. A. Fitzgerald

At the present time it appears to me that price fixing and rationing will need to be projected into the post-war period. The commodities involved should be eliminated one by one as fast as supplies reasonably match the demand.

JOHN L. DICKINSON

President, The Kanawha Valley Bank, Charleston, W. Va.

As to whether or not it would be wise to extend price fixing and rationing into the post-war period, I am opposed to this system for the reason that it has a tendency to break down our system of individual enterprise, which is so important to the well-being of our nation. So much, however, depends upon the amount we do spend in the assistance of other nations. One can hardly be altogether opposed to some help along that line but the extravagances of systems that have already been extended to other countries, if continued after the world war, may require some system of price fixing and rationing to prevent severe inflation. If the people are so opposed to both of these systems, in my opinion it would be bad politics to, in a large way, extend it, and therefore we can only prevent it or soften it by the opposition of the people.

In these days, when everything turns on the question of politics, it is necessary to bring politics into every question of life.

Another matter which might be taken into consideration, over which we have no control, is the large amount of money the Government is borrowing from its people that is in fact payable upon demand and will be used in aid of inflation after the war is over.

D. Y. PROCTOR

President, Broadway National Bank, Nashville, Tenn.

With respect to price fixing and rationing in the post-war period, I have given this considerable thought and believe that both should be continued for six months after the end of the war. In the event ceiling prices were removed, some things would be at a price far beyond the person of average income. However, I believe that conditions would be straightened out within six months and prices would adjust themselves.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number twenty-one of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

Recovery

Years ago, when quite a lad, I made a visit with my Dad to the great stock-yards in Chicago. I shall never forget that visit for a number of reasons. (You guess one.) Really it is one of the sights of America.

We spent one of the most interesting hours with a gentleman who guided us through great pig-pens and slaughter houses. I remember him saying at the conclusion of his lecture, "We don't waste a thing in this pig department. We use everything except the squeal."

I thought of that experience the other day when a friend asked me to tell him something about the "recoveries" from the grain used in the distillation of whiskey in normal times, and war alcohol in these critical days. He was quite surprised when I told him, and that made me think that, perhaps, you, too, might be interested in this subject.

Following the processes of fermentation and distillation of grain, it is estimated that about 35% of the spent grain, is recoverable. In the distillation process only the starch, which was converted into fermentable sugar by the addition of malt, has been taken away from the grain. The valuable fats and proteins not only remain in concentrated form but, in addition, valuable vitamins have been added during the fermentation process. These are in the form of a residue which is known as "stillage"; this stillage is concentrated and dried, and then is converted into a poultry and dairy-cattle ration, with a high protein content.

So you see the Alcoholic Beverage Industry is not only devoting all of its distilling facilities to the manufacture of wartime alcohol to help win the war, but is simultaneously producing food to help win the peace.

Modern science has not shied away from the distilling business. Experiments and research are constantly carried on by men in white, and several other very important products, as a result of recovery and conversion, will reveal themselves from time to time. They will play important parts in the everyday lives of our people.

I will tell you more about some of these things in another article.

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FREE—*A booklet containing reprints of earlier articles in this series will be sent you on request. Send a post-card to me care of Schenley Distillers Corp., 350 Fifth Avenue, New York 1, N. Y.*

Insurance and Bank Stock Evaluator—Comparison

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., have issued their Insurance and Bank Stock Evaluator for January 1944 containing a comparative analysis of 82 insurance companies (figures to December 31, 1942) and 38 Banks, figures to December 31st, 1943. Copies of the Evaluator and an interesting circular entitled "Banking: Foremost Growth Industry" may be had from Butler-Huff & Co. upon request.

EDWARD KRONVALL

President, Springfield Safe Deposit & Trust Co., Springfield, Mass.

I feel that both price fixing and rationing might wisely be extended for a few months into the post-war period, but believe that any further regimentation would seriously retard any forward surge in business.

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Named To Fed. Reserve Open Market Group

Alfred H. Williams, President of Federal Reserve Bank of Philadelphia, has been named alternate member and Hugh Leach, Richmond, has been elected representative of Federal Reserve banks of Boston, Philadelphia and Richmond on the Federal Reserve open market committee for year beginning March 1.

Pennsylvania Municipals

It is the same old story—a strong market with limited activity—peculiar activity to say the least. All indications point to a very bullish attitude toward the municipal market in general but the day-to-day dealings are somewhat puzzling.

Quite often large syndicate holdings of bond offerings experience no sizable movement of bonds for several days and then suddenly large blocks of these bonds are moved out of the market.

As one dealer said, speaking of yield bonds primarily: "Names mean very little in this mad scramble for 'yield situations,' discount bonds and issues that afford the dealer or the investor unusually high yields."

Since the wholesale revision of municipal ratings by Dun & Bradstreet as of the first of the year, the resulting confusion at that time has been corrected and the market seems to be once more stabilized at a higher or lower level, as the case would warrant.

There have not been too many new offerings of sizable character and those that have been shown have been marketed successfully but in somewhat of a spasmodic fashion. Interest has centered to some great extent in semi-speculation situations, those in which the investor is supplied the speculative chance of an upward move in market value. When issues of this character receive any buying support, and more particularly in a strong market of this kind, the name of the particular credit assumes a secondary importance.

The improved strength in credits, such as City of Philadelphia, City of New York and others of a more national trading prominence, can be traced to definite improvement of the financial condition of these municipalities. Some part of the recent upward movement in issues of the State of Arkansas can be attributed to specific possibilities as to the improvement in investment status from the standpoint of the bonds becoming legal investments for certain limited or restricted buyers.

It is quite apparent that wartime industrial activity throughout the nation has been quite beneficial to a great majority of municipal subdivisions and has afforded these municipalities an opportunity to improve their finances. Post-war planning has provided the spark which has set off the wave of buying interest in issues which, up to this time, have been neglected.

The recent sale of $15,000,000 City of Los Angeles Department of Water and Power refunding bonds indicated confidence on the part of bidding dealers as to the strong tone of the market, and it will be interesting to note the results of the public sale of $8,330,000 State of New York Housing Authority bonds as of March 1, 1944. These bonds will have longer maturities than any other New York State offering, and inasmuch as it is not too sizable an issue, there will no doubt be quite some competitive bidding and interesting results.

There seems to be a disinclination on the part of bond dealers and investors to follow into the field of the higher grade municipals, long or short, which are currently offered at very low investment returns.

When one stops to realize that there exists the possibility of the elimination from the market of several billion of tax-free Government instrumentalities within the next two or three months, replacement necessarily will be the problem and the question is, what can be used as replacements of a tax-exempt character?

Tax Deficiency Held Administration's Fault

(Continued from first page)

the future and the opportunities of the men who are doing the fighting so that we can now live in comparative comfort. We must not bequeath to them a heritage of overwhelming debt—in short, make them pay more than is necessary of the cost of the very war which they are fighting.

"But we need additional revenue now for another basic reason. We must pay now so that after the war is over taxes may be lowered in order to give that stimulus which lower taxes always give to our economy—the stimulus necessary to provide jobs and opportunities after the war for our present war workers and our returning soldiers.

"The violent and ill-tempered Presidential veto message advanced none of these causes. It was overridden by both houses of Congress, as every one, probably including the President, expected. The President, of course, made a paper record but lost the opportunity to be constructive. That bitter message had no rhyme or reason behind it when it is considered in terms of our national well-being. It served to stir up personal animosities; to bring increased discord between the Executive and the Congress.

"The only definite tax proposals that could be attributed to the President were those submitted by the Treasury Department, and some of them were unsound in method and misleading in approach. The President, by the nature of his veto, lessened the opportunity for the eventual passage of an appropriate and sound tax law. The forces of inflation concerning which he has so frequently warned, were aided by his ill-tempered and unwise conduct.

"Congress, in its action, is but reflecting the people's mood—a mood of worry and doubt about the Administration's sense of obligation in handling their money. This problem will not be solved by dramatic resignations and over-sentimental reconciliations. It will be solved when the Administration, by its conduct, convinces the people that it is a responsible custodian of their funds and a unifier of their national life."

Pennsylvania Brevities

When a corporation much in need of recapitalization approaches the formative stages of such a plan, its securities are likely to get pyrotechnical in behavior. Brill Corp. 7% preferred, up some 30 points in the last month, reflects some plain and fancy guessing as to the terms later to be offered to the holders of this senior issue.

Brill Corp. is a holding company owning 99% of the preferred and 100% of the common stocks of J. G. Brill Co. of Pennsylvania. Brill Corp. also owns 60% of the preferred and 70% of the common stocks of American Car Foundry Motors Co., which, in turn, controls Hall-Scott Motor Car Co., the A.C.F. Motors Co. and Fageol Motors Co. of Ohio.

Generally speaking, American Car Foundry Motors, through its subsidiaries, provides Brill Corp. with the bulk of its earnings on a consolidated basis. From an asset standpoint, however, book value of Brill Corp. preferred far exceeds that of American Car Foundry Motors preferred. The principal problem, therefore, in the hands of those attempting to work out a reclassification, is to find an acceptable balance between the relative values of earnings and assets.

Since a substantial majority of American Car Foundry Motors preferred and common is owned by Brill Corporation, an equitable allocation of new securities should be easy to determine and consummate. With net current assets of approximately $175 per share, an equivalent book value of $300 per share and dividend arrearage of over $80 per share, Brill Corp. preferred at about 110 is probably still undervalued. Many, however, believe that American Car Foundry Motors preferred at 60 is relatively more attractive. Traders continue to make their respective guesses in the market place while the final answer is being formulated in conference. It makes for lively and spirited activity.

The stockholders of two Pennsylvania corporations, last week, voiced objections to management-devised activities which, they alleged, tended to reduce stockholders' equities.

Victor Frey, attorney for a group of United Gas Improvement stockholders, termed the company's estimate of the cost of its retirement and annuity plan "expert camouflage." Frey said company will be required to expend lump sum of $765,000 for past service annuities at the inception of the plan and that the company proposed to charge this cost to surplus. He estimated the total cost to UGI stockholders to be $1,509,000, which, he says, "is not peanuts, when it is recalled that total net income of the UGI applicable to dividends on its stock will be only $763,000 per year after its distribution of Delaware Power & Light Co. stock."

According to information contained in a report filed with the Federal District Court by Paul Zens. Treasurer of Edward G. Budd Mfg. Co., the company has issued options for all the 300,000 shares of unissued common stock to 160 key officers and employees by way of "incentive pay," but at $900,000 less than it would have received if the options had been issued and exercised on July 13, 1943, as originally intended.

Marine refrigeration and air conditioning equipment for more than 1,100 U. S. cargo ships and 2,000 naval vessels from battleships to tugs is now being produced by York Corp., according to S. E. Lauer, president. This represents a 44% increase in company's volume of marine business in 12-month period. The major part of this equipment, valued at $12,300,000, has been refrigeration for Liberty ships, more than 1,000 of which have been equipped by York since Pearl Harbor.

For the first quarter of present fiscal year, York reports total sales of $10,609,893 compared with $6,658,613 for the corresponding preceding period. Net profit, before income and excess profits taxes, was $864,348, compared with $364,178.

Reporting net profit of $4.56 per share, compared with $2.91 in

(Continued on page 899)

Omer Joins Staff Of Hemphill, Noyes Co.

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have announced that Paul T. Omer has become associated with them as counsel. Mr. Omer was formerly a member of the law firm of Satterlee & Warfield of New York. He has specialized for many years in financial law and was an original staff member of the Securities and Exchange Commission.

Paul T. Omer

Situation Looks Good

The $5 cumulative preferred stock of Cleveland-Cliffs Iron Company offers interesting possibilities, according to a circular discussing the situation in some detail, issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Copies of this circular may be had upon request from G. A. Saxton & Co., Inc.

Changes In Income And Corporation Taxes In New Tax Law; Higher Taxes On Luxuries

Changes In War Contracts Renegotiation Law

Reporting essential features of the new legislation embodied in the tax bill which became a law on Feb. 23, Associated Press Washington advices from Feb. 25 given in the New York "Journal of Commerce," noted that the legislation increases the income tax take from individuals and business concerns, raises some postal rates, and increases taxes on liquor, furs, cosmetics and many other items, effective April 1. From the advices we quote:

"Congressional tax experts estimate it will return $2,315,000,000 a year, raising the Treasury's annual income to over $42,000,000,000, but President Roosevelt disputed the prospective return.

"Salient provisions of the new law include:

"1. Increases in individual income taxes for 1944, to yield an additional $664,900,000. There is no general rate increase, the new revenue being derived through elimination of the earned income credit and removal of deductions for excise taxes paid out.

"2. A boost in the corporation excess profits tax from 90% to 95%, to yield $502,100,000 more.

"3. Higher excises on items classified as luxuries — another $1,051,300,000.

"Playboy and householder, socialite and factory hand are affected by the new excise load. The tax on cabaret charges jumps from 5% to 30%. Cosmetics, furs, luggage and most jewelry will bear a 20% sales tax. The rate on railroad tickets and local telephone service goes from 10% to 15%. Beer and wine taxes go up, along with those on liquor.

"4. Increased postal rates in several categories of mail—$96,900,000 more. The out-of-town letter rate remains at three cents. The in-town letters, beginning 30 days hence, must carry three-cent rather than two-cent stamps. Air mail charges rise from six cents to eight cents per ounce. Other increases affect C. O. D, registered and insured mail, and money-order fees.

"5. The social security payroll tax rate is frozen at 1% for the rest of 1944, instead of rising automatically to 2% each against employer and employee.

"6. Numerous changes become effective in the war contracts renegotiation law, including an amendment which opens the way for contractors to appeal to the courts from renegotiations they consider unfair. Next Dec. 31 is set as the termination date for renegotiating war contracts for recovery of excessive profits, although the President is given an option to set the date forward or backward as much as six months if he deems it necessary.

"7. Labor unions, farm cooperatives and other organizations are required to make annual financial statements to the Treasury, although no tax is imposed."

Cite Lt. J. E. Cagle; John Nuveen Associate

CHICAGO, ILL. — Lt. Jackson E. Cagle, USNR, general counsel of John Nuveen & Co., municipal bond house, now on leave of absence, has received a commendation from the Secretary of the Navy for "outstanding skill and devotion to duty as commanding officer of the United States Navy Armed Guard on board a U. S. merchantman in action with hostile forces during convoy operations."

Lt. Cagle volunteered for service in November, 1942.

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Pennsylvania Brevities

(Continued from page 898)

1942, J. Howard Pew, President of Sun Oil Co., lists the following among company's 1943 achievements: Completion of $13,000,000 Marcus Hook aviation gasoline plant; almost tripled production of aviation gasoline; new high in refinery crude runs to stills; development of super aviation fuel 50% more powerful than 100-octane test fuel; 19% increase in wells drilled; delivery of 73 huge sea-going ships.

During the fiscal year ended Oct. 9, 1943, Lukens Steel Co. purchased $634,000 of its 4¾% debentures, leaving $1,566,000 publicly outstanding as of that date.

Owners of publicly-held issues of Pittsburgh Railways Co. system are expecting that arrangements will presently be concluded for a series of discussions with the Philadelphia Company, traction system parent, the objective being a dismissal of bankruptcy proceedings. It is probable that a prominent Philadelphia banking house will assume the role of "negotiator" between security holders and the parent company. Much preliminary work has already been accomplished.

The preferred and Class "A" stocks of Botany Worsted Mills are finding wider dealer acceptance in Pennsylvania. An initial dividend on the Class "A" shares is expected in April. Although government orders for worsteds have substantially augmented gross sales, the management consistently seeks to expand its civilian goods production. At present approximately 60% of company's business is non-military.

Pennsylvania dealers, despite recent advances, are still heavy buyers of reorganization rails. A study reveals that most issues are yet available at prices 10% to 40% below the indicated values of securities to be received in reorganization. By the time holders of existing issues actually receive new securities, prices are expected to be considerably above current levels. An important consideration, not always given full market recognition, is the fact that most roads emerge from bankruptcy with a large amount of cash on hand and that this cash is frequently applied to the reduction of the new debt.

The $6,000,000 first mortgage bonds outstanding against Philadelphia's Bellevue - Stratford Hotel, past due since 1935 and in default of interest since 1933, present an interesting and timely speculative opportunity. Bondholders are now the sole owners of the property, the court having confirmed a settlement agreement eliminating all other claims except accrued unpaid taxes, penalties and interest. Reorganization has been delayed because of delinquent taxes. A new Pennsylvania Tax Abatement Act became law on May 21, 1943. The act provides for abatement of penalties and interest on the condition that the delinquent pay current taxes and pay back taxes (without penalty) over a five-year period in annual installments. Bellevue-Stratford qualified under the Abatement Act by paying its 1943 assessment in full and making the first of its installment payments on Oct. 28, 1943.

Owing to largely increased earnings, it is now thought that the hotel can complete a reorganization plan along the lines earlier suggested. This plan provides for the creation of a $650,000 mortgage for the purpose of liquidating taxes and the exchange of old bonds for stock on a basis of 10 shares of stock for each $1,000 bond.

Earnings for the first half of 1943 showed gross of $1,225,514 and net of $192,793, before interest and depreciation. The comparable figures for 1942 were $917,322 gross and $42,648 net.

Larry F. Hardy has been elected vice-president in charge of Home Radio Division of Philco Corp.

Henry H. Ziesling has been elected vice-president of Midvale Co., in charge of sales, to succeed Stuart Hazelwood who resigned effective April 1.

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

This week it is possible to present an analysis of the principal operating figures of nine leading fire and marine insurance companies, as reported in their 1943 annual statements. For the sake of comparison, results for 1942 figured on the same basis are also shown. It will be observed in Table I that five companies, viz., Aetna, Fire Association, Great American, Pacific and Phoenix, show net operating profits for 1943 substantially in excess of those of 1942, while three companies, viz., American Alliance, Jersey and Springfield, show substantial declines. Another company, Bankers and Shippers, shows a drop of only one cent per share in total net operating profits.

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Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
L. A. Gibbs, Manager Trading Department

TABLE I

	1942				1943			
	Net Und. Before (Fed. Taxes)	Fed. Taxes	Net Inv. Income	Total Net Op. Profits	Net Und. Before (Fed. Taxes)	Fed. Taxes	Net Inv. Income	Total Net Op. Profits
Aetna	—$0.29	$0.19	$1.91	$1.43	$1.08	$0.24	$1.75	$2.59
American All.	0.50	0.23	1.40	1.67	0.03	0.14	1.38	1.27
Bankers & Shippers	3.10	3.67	5.90	5.33	1.12	0.52	4.72	5.32
Fire Association	0.17	1.92	4.08	2.33	0.15	0.24	3.95	3.86
Great American	—0.12	0.07	1.26	1.07	0.55	0.23	1.25	1.57
Jersey	1.70	1.70	2.56	2.56	0.22	0.02	2.28	2.48
Pacific	5.05	4.85	6.65	6.85	2.02	0.12	5.60	7.50
Phoenix	0.33	0.44	3.52	3.41	1.04	0.50	3.43	3.97
Springfield F. & M.	4.13	1.27	5.51	8.37	—0.95	0.10	5.57	4.52

Total net operating profits alone, however, do not tell the whole story, as further inspection of the tabulation shows. For instance, all companies, with the exception of Springfield, experienced a moderate decline in net investment income, but when the results of underwriting operation are examined, great diversity of experience is found. Furthermore. Federal income taxes, which were small prior to 1942 and did not greatly affect operating figures, now constitute an important factor. It will be observed that in cost cases 1942 taxes were higher than those of 1943, and in many instances substantially so. Generally speaking, companies which were relatively heavy in ocean marine risks in 1942 show better underwriting results in 1943, while those which were relatively light in ocean marine but heavy in fire risks, show poorer underwriting results.

All of the companies show substantial increases in year-end surplus, and moderate increases in unearned premium reserves, with the exception of Fire Association. Liquidating values per share of stock of each of the nine companies also show substantial gains. (See Table II.)

TABLE II

	Dec. 31, 1942			Dec. 31, 1943		
	Surplus	Un. Prem. Res.	Liq. Value	Surplus	Un. Prem. Res.	Liq. Value
Aetna	$23,265,000	$23,047,000	$53.31	$26,614,000	$24,456,000	$58,48
American All.	2,967,000	2,369,000	23,05	4,016,000	2,494,000	26.71
Bankers & Shippers	1,887,000	3,399,000	106.17	2,383,000	3,467,000	119.22
Fire Association	9.107,000	9,677,000	74.89	11,584,000	9,567,000	87.05
Great American	22,619,000	16,350,000	*22.85	28,292,000	16,742,000	*26.50
Jersey	1,058,000	2,153,000	58.38	1,301,000	2,246,000	64.00
Pacific	2,823,000	3,907,000	134.65	3,303,000	4,027,000	147.85
Phoenix	43,763,000	10,506,000	89.94	48,457,000	11,001,000	98.09
Springfield F. & M.	14,636,000	16,182,000	130.54	15,965,000	16,557,000	137.94

*Excluding capital and surplus of Great American Investing Co.

Greatest gain in surplus was made by American Alliance with 35.4%, minimum gain was 9.1% by Springfield Fire and Marine, and average gain of the nine companies was 20.9%. Aetna shows the greatest gain in unearned premium reserves with 6.1%, and Bankers and Shippers the minimum gain of 2%, while Fire Association shows a decrease of 1.1%, and the average gain is 3.2%. Maximum gain in liquidating value per share is 16.2% by Fire Association, minimum gain is 5.7% by Springfield and the average is 11.6%.

As regards dividends, six companies paid the same in 1943 as in 1942; on the other hand, Bankers and Shippers paid $4 instead of $4.25; Jersey Insurance, $1.50 against $1.75, and Pacific Fire, $5.25 against $5.

Trading Markets

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Morris Mather Dead

Morris Mather, senior partner of Morris Mather & Co., Chicago investment bond firm, died on Feb. 26. Mr. Mather, who was 58 years old, came to this country from England and entered the investment business in 1913.

NASD Headache Continues

(Continued from page 891)

The New York Security Dealers Association on Feb. 8, 1944 petitioned the SEC to revoke the "5% rule" or, as an alternative, hold a hearing. The Commission has not as yet announced its intentions in the matter. As ground for its request, the Association pointed to the failure of the NASD to submit the so-called "interpretation" to a vote of its members.

That's a good reason, although a limited one. Advocating the revocation of a bad rule that found its birth in the violation of the NASD Constitution is sound policy.

However, the widespread opposition is based upon additional and more fundamental grounds. The "5% spread philosophy," were it limited to a philosophy, would be no threat. In private life, we each have a right to an opinion, and philosophy is but an opinion of a course of conduct to be followed, or refrained from. Philosophies vary with individuals and are not forceably imposed. Their charm for, and comfort to man, lies in their being purely voluntary. When a "philosophy" becomes a rule of enforcement, and one unlawfully imposed at that, to continue to call it a "philosophy" is as arrogant as it is false.

Fundamentally, dealers believe there are serious implications in "the rule." It is another step in that creeping paralysis with which bureaucrats have been shackling free enterprise. Nor is opposition a matter for the security field alone. Business generally must, and will, realize that such perverted doctrine is a malignancy that will spread rapidly until ultimately no field of commerce will be immune from its depredations. Hence, the persistent and unabating effort for revocation.

You will recall the NASD's "minimum capital requirement" of "sainted" memory. It was based upon the utterly false premise that honesty bore a direct relationship to assets. In it the belief was inherent that a man was as honest as he was wealthy. The effort to smear that one over the industry failed, and we predict that history will be repeating itself with respect to the "5% spread."

The NASD has a full-blown headache. It's mistake was lethal. In private, some members of its Board have voiced their opposition to the "5% philosophy." It is generally believed that the Association is looking for a way out, for some face-saving device or compromise.

However, there is no compromise with freedom, whether it be freedom of speech or of the press or of doing business. Illegal restraints are alike odious to all liberty loving people. The danger lies not in a specific limitation, but rather in its tendency to grow.

To us this business of saving face has always seemed "the bunk." 'Tis a wise judge who, knowing he is wrong, will reverse himself. The call is for courage, not face-saving. If the Board of Governors of the NASD met and, frankly acknowledging their mistake, revoked the "5% rule," both their stature and that of the organization they represent would increase.

The security field has the right to demand and to expect such action.

Somewhere along the line revocation must come; if not through the NASD then through the SEC. If both bodies fail to do this, the Courts will come to the rescue.

In the meantime, the longer the delay, the more acute the headache.

Goldman, Sachs Quit Syndicate Because Of Justice Dept. Stand On Price Stabilization

The banking firm of Goldman, Sachs & Co., one of the largest underwriting houses in the country, withdrew from the syndicate which was formed for the sale of $16,000,000 Florida Power Corporation $3\frac{3}{8}$% mortgage bonds, headed by Kidder, Peabody & Co., because of the action of the Department of Justice on Feb. 12 in the case of the Public Service of Indiana bond issue put out in 1938. The Justice Department held essentially that any restriction on resale prices was in effect a violation of the Sherman Anti-Trust Act.

In withdrawing from the syndicate, the firm pointed out that the policy of price stabilization and control contained in syndicate agreements has been in effect since the creation of the Securities and Exchange Commission, and with the full knowledge of this supervisory agency, and in view of the close margin of profit to underwriters on most new issues, they did not feel justified in entering the syndicate without a fixed reoffering price for a definite period.

Because of the ruling of the Department of Justice in the Indiana Public Service issue, price restrictions are reported to have been removed or altered in at least four deals relating to new offerings. According to the opinion of investment bankers, the matter will require further clarification before normal conditions relating to the offering of new security issues will be restored. The controversy arose over the determination of the right of the National Association of Securities Dealers to fine 70 of its members for failure to live up to the price agreement in the initial distribution of the Public Service of Indiana $38,000,000 bonds.

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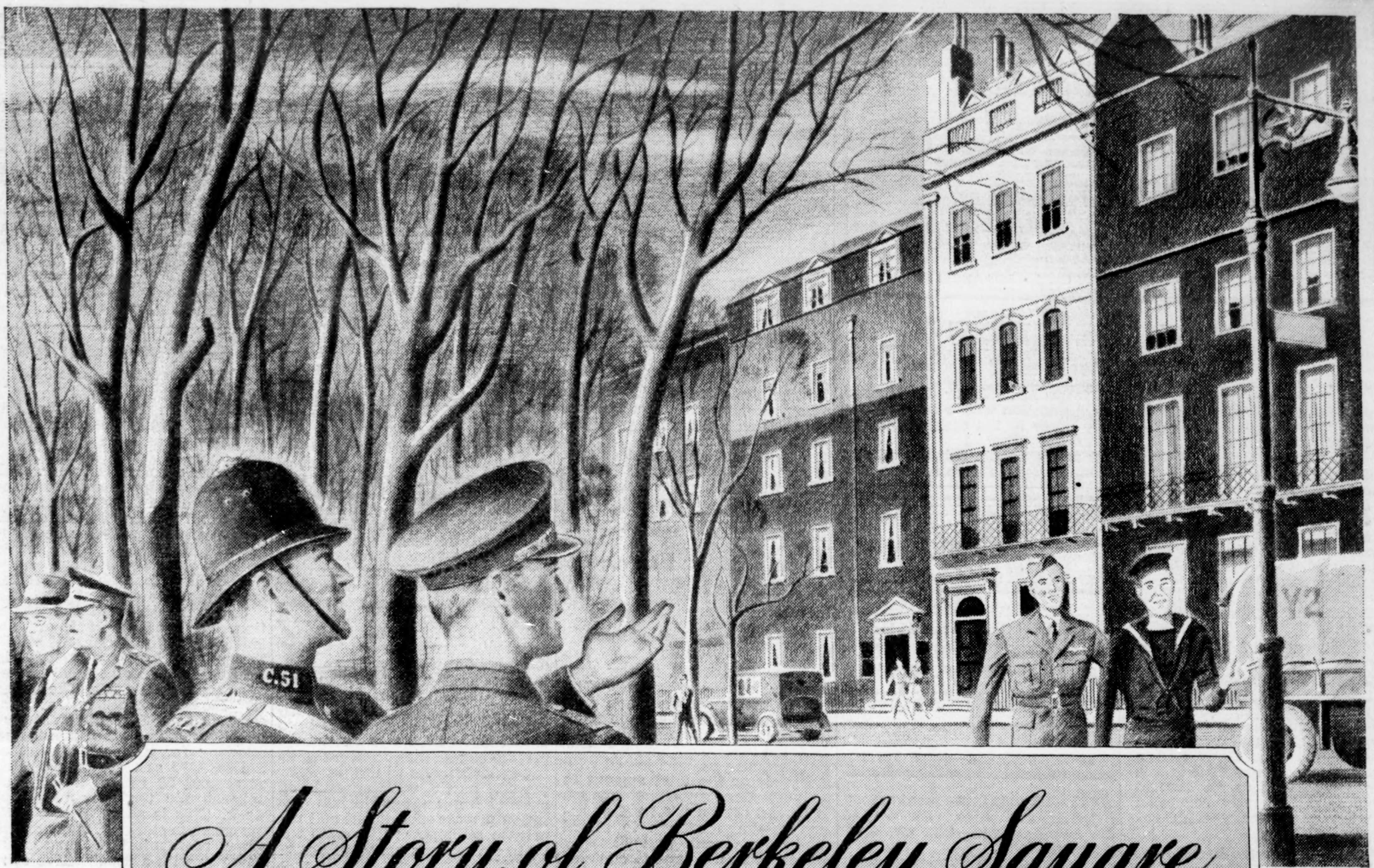
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

G. G. Wolfe Joins Staff Of R. M. Horner

Clarence G. Wolfe, formerly vice-president of C. D. Robbins & Co., has joined the sales organization of R. M. Horner Co., 30 Broad Street, New York City.

Associated Gas & Electric Four Yrs. After Bankruptcy

G. A. Saxton & Co., Inc., 70 Pine Street, New York City, have issued a study of Associated Gas and Electric, surveying the situation four years after the bankruptcy proceedings were started, and reviewing the 17th report of the trustees. Copies of this interesting study on the situation may be had upon request from G. A. Saxton & Co., Inc.



A Story of Berkeley Square

IN London's old Berkeley Square, whose pavements William Pitt, Lord Clive and Alexander Pope once trod, a branch of an American bank came into being seven years ago. For a few too-brief years it served its original purpose. *Then Hitler struck*—and through the Blitz this office, one of the three London branches of the Chase National Bank, continued to facilitate the aid which America was even then extending to hard-pressed Britain.

Pearl Harbor raised the curtain on a new scene in the short history of this Chase branch. A new service was immediately inaugurated there. As a result, tens of thousands of men of our armed forces, G.I.s and generals, bluejackets and admirals, are using this Chase branch in ways seldom associated with a commercial bank. Thousands of families throughout the United States are being cheered by flowers, candy and other gifts from their boys overseas—the bank taking care of the orders by cable or airmail, without profit to it for the service.

This Berkeley Square branch is near the very center of American military and civilian activities in the British capital. Hence it has come to be financial headquarters for much of the personnel there. Checks are cashed daily for many members of our armed forces and funds are transmitted for them to and from the United States. The staffs of American missions and departments likewise utilize these convenient facilities extensively.

Thus the oldest American banking organization in London helps the men overseas keep their ties with their families at home. Berkeley Square has a new chapter to add to the many events its stately Georgian houses have seen.

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OF THE CITY OF NEW YORK

HEAD OFFICE: *Pine Street corner of Nassau*

LONDON—Main Office, 6 Lombard Street; Branches, 51 Berkeley Square; Bush House, Aldwych

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Mutual Funds

What Is A Mutual Fund?

Recently we received a letter from Mr. Walter L. Morgan, President of **Wellington Fund, Inc.**, on a question which has probably caused more head-scratching than any other in the distribution end of the mutual fund business.

Mr. Morgan writes: "I have had many people ask me what a mutual fund was, with a view towards having me respond in a few words that could be understood by a layman." He then comments on the difficulty of giving a satisfactory "layman's" description of a mutual fund within the scope of a 25 to 50-word paragraph, and concludes with the flattering request that we prepare such a description and publish it in this column.

Anyone who thinks it is easy to give a clear, non-technical description of a mutual fund in a few words has probably never been called upon to do just that. To the millions of people who know only vaguely the difference between a stock and a bond, it means very little to say, for example, that "a mutual fund is a Federally regulated investment company with redeemable shares."

Some time ago we had the opportunity of discussing this question with Mr. Kenneth S. Gaston, President of **Group Securities, Inc.** He gave a "layman's" description of a mutual fund which ran about as follows: (The first paragraph may not be exactly what Mr. Morgan had in mind, but it comes as close to making mutual funds understanddable to the average investor in a few words as anything we have yet seen.)

"What Is a Mutual Fund?"

"If you and a group of your friends, each with money to invest, should decide that individually you did not have the time or the facilities to handle your own investments and that you should put your investment money together and hire someone to manage it for you—**that would be a mutual fund.**

"To make the fund practical, you would have to work out an arrangement so that any one of you could withdraw his money at any time without injuring the interests of the group. Since other friends might want to join you at a later date, some way would have to be worked out to include them on a basis that would be fair to everyone.

"By the time you and your friends had thrashed out all the details, what you would end up with would be a mutual fund in the modern, technical sense of that term. It would most likely be a corporation in which each of you would own stock. (Although it could also take the form of a trust fund.) The number of shares each of you owned would depend upon the amount of money you put in. Some might own a lot, some just a little.

"The later joiner would pay for his stock, not the original price, but a price that was **fair at the time he joined.** The fellow who wanted to withdraw would sell his stock back to the corporation, not at the original price, but at a price **fair at the time.** Income received on the investments made, and profits realized on such investments, would be paid out to stockholders from time to time as dividends.

Management

"As in all corporations, you would elect a board of directors and this board would be responsible for the sound conduct of the business, (for that's what it is, a **business** of investing money). The directors would seek out the best investment manager they could find and hire him. They would arrange to have someone talk to other investors like yourselves, to persuade them to join—for the larger the group the less the expense of operation would be for each member and the better quality of investment management you could afford to hire.

Safeguards

"The directors would hire a bank to act as custodian of all the cash and investment securities, a firm of certified public accountants to audit the books.

Federal Regulation

"The directors would register your company with Federal authorities and submit regular reports to them, for by Act of Congress enterprises of this type are under Federal regulation. In other words, they would surround the business of investing your money and that of your friends with all the modern safeguards.

"A mutual fund is **cooperative investing.** Nearly **three-quarters of a billion dollars** of investors' funds are being managed by this method.

The Services a Mutual Fund Performs

"Your investment money may be quite small—too small by itself to buy more than one or a few different securities—too small to enable you **alone** to hire professional investment management. But because you have joined with many others the total amount to be invested is large—large enough to spread over a wide list of securities—large enough to afford good management. You get every benefit that the largest contributor gets. Your money is being handled in just the way that an investor with millions would have his money handled.

"Diversification, that is, the buying of many investments rather than one or a few, is the corner stone of sound investment procedure. It is the first requirement of all institutions which make a business of investment — savings banks, insurance companies, endowment funds, foundations, etc. **You need diversification just as much as they do.**

"Investment management is a full-time job. It requires training, experience, special facilities for gathering information, close contact with markets. Investment institutions have to have it — **you need it just as much as they do."**

* * *

Your comments and criticisms on this "layman's" description are invited. Certainly there are few if any problems in the mutual fund field which lend themselves more completely to cooperative action on the part of sponsors and participating dealers than that of clarifying the understanding of the layman as to exactly what a mutual fund is and what it does.

We shall be glad to print in this column such other appropriate brief descriptions of a mutual fund as our readers may care to submit.

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Prospectuses upon request

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Research Corporation
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BOSTON, 10 Post Office Square (9)
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Trading Markets

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Heavy Government Borrowing Does Not Necessarily Lead To Inflation: Hansen

(Continued from page 891)

sen further pointed out that an increase in public borrowing in times of widespread unemployment "offers no dangerous inflationary potentialities," but, during war-time full employment periods "any increase in Government expenditures must be offset by a decrease in private expenditures, if inflation is to be prevented." He adds "since, in fact, all modern governments have found it politically necessary to finance a very large fraction of war expenditures by borrowing from banks, inflationary potentialities appear. But these potentialities need not result in price inflation. Private expenditures may be curtailed as an offset to the increase in public expenditures even though holdings of currency and demand deposits increase. No inconsiderable part of this restraint in private expenditures is voluntary. If you cannot buy an automobile, you may decide not to spend at all. If you cannot build a house, you may decide to save your money in order to build after the war. In part, the voluntary restraint on spending is induced by fears or anticipations with respect to the future —the fear of future tax increases, the fear of future unemployment, anticipations with respect to post-war business needs, and so on."

The Government's program of rationing and price control, Professor Hansen believes, has been an effective means in decreasing private expenditures and preventing inflation. As to the post-war period, much will depend on maintaining an equilibrium between private investment and net private savings. "If private investment exceeds net private saving, inflationary tendencies will be present in the economy when the level of the public debt is maintained. This inflationary tendency could be offset by a budgeting surplus and the retirement of public debt or by the Treasury holding the surplus in idle balances."

The system of taxation followed, it is pointed out, also will have an influence in determining the inflationary tendency of a heavy Government debt. If the tax structure is such as to discourage investment, "the potentialities of a public debt are deflationary, not inflationary." Accordingly, "a tax structure that goes light on corporate income taxation and relies more heavily upon a progressive personal income tax is more favorable for investment than one which taxes corporations heavily and personal incomes lightly."

Professor Hansen emphasizes strongly the importance of maintaining Government credit as a fundamental factor in preventing inflation. "We must defend that credit. Government credit is the foundation of our whole financial structure. In the great depression it was Government credit that came to the rescue of bankrupt railroads, bankrupt banks, bankrupt home owners, and bankrupt land owners. Government credit underlies the security of our savings institutions, our insurance companies, our commercial banks, and our entire credit system. There are currently dangerous attacks being made upon the credit of the Federal Government. Resolutions have passed a number of State legislatures proposing a constitutional amendment to limit the taxing powers of the Federal Government. Even before the Constitution was adopted, Alexander Hamilton, in his Federalist papers, argued that any limitation on the taxing power of the Federal Government would be a grave mistake. If, as is now suggested, we should, by constitutional amendment, deprive Congress of the power to impose income tax rates in excess of 25%, will not others propose an amendment to raise exemptions to $3,500 and to limit the rate on the lower incomes? Proposals have also been made to limit the borrowing power of the Federal Government. Such proposals should be vigorously resisted by all who have any regard for the integrity and security of our financial institutions. If our social order is to survive we must maintain the credit of the Government, the purchasing power of our money and the value of Government bonds."

Railroad Securities

(Continued from page 895)

Moreover, there should be little difficulty in covering the full dividend requirement on gross revenues of as little as $120,000,000, or more than $100,000,000 below gross reported last year. With the basic improvement in the road's western territory in recent years and the importance of this section in any post-war development of the Far East, there should be little danger of the road's business falling to such a level for many years to come at least.

Under the proposed reorganization, the Gold 5s, 1975, are allocated $225.78 in cash, $179.38 in Series "B" Incomes, $918.91 in preferred stock and 0.975 shares of new common stock. The Series "B" Incomes should sell at least around 60 and the common at perhaps 15. Taking these prices and allowing for the cash allocation, the 5s, 1975 at their recent price of around 56 reflect a value of only 23 for the new preferred stock. This is about in line with the common stocks of many of the other reorganization properties. Actually with a constructive debt retirement program this preferred might well sell around 50. Such a price for the preferred would indicate a potential value of 80¾ for the 5s, 1975, including the cash distribution of $225.78 per bond. To this would be added approximately $54 representing the preferred dividend and Income bond interest for this year.

Objections to the plan have been of a minor nature, mainly centering around technical details as to reorganization managers, the escape clause in the bonds, and the dividend restrictions. One group has also suggested that the cash payment to the 5s, 1975 be specified as including the dividend on the new preferred for a period of three years so as to lift the restriction on common dividends. No objections were voiced over the security allocations or over the actual distribution of the cash. The proceedings should, therefore, move fairly rapidly and may well be out of the court and presented to bondholders by the fall.

In view of the timing, some question has arisen as to when the cash provided in the plan should be distributed. As no objections have been filed to the cash distribution there appears to be no reason why at least a portion should not be paid out later this year. For one thing, splitting the payment would avoid an unjustifiable tax penalty on holders of the bonds. Obviously the payment does not represent a single year's earnings but if paid all at one time on consummation of the plan it would be taxable to the holder of the bonds as income in that year. Perhaps even more important on an over-all basis is that payment of part of the cash this year would give the company an up-to-date list of the holders of bonds, so that ballots to vote on the plan could more readily be distributed. The saving in time and money in getting the names in this manner would be considerable. With these considerations it is generally felt that part of the cash will be paid out this summer.

We're proud of the dollars that went to war . . .

608,002 Policies
were owned by Penn Mutual policyholders at the end of 1943, totaling $2,082,199,121 of life insurance protection.

New Business in 1943
The new life insurance paid for in 1943 amounted to $123,249,139—a gain of $6,660,966 over the previous year.

With the Nation at war, Penn Mutual believes that Americans have a right to know what part insurance dollars play in the fight. During 1943, Penn Mutual's purchases of U. S. Government Bonds brought the Company's total holdings of U. S. Government securities to $292,158,717 or nearly one-third of total assets. These purchases together with large investments in railroads, utilities and other essential industries, have made Penn Mutual Life Insurance dollars serve the Nation in almost every phase of the war effort.

Penn Mutual's 96th Annual Statement

In accordance with the requirements of its Charter, this Company publishes the following statement which presents the principal features of its NINETY-SIXTH ANNUAL REPORT to policyholders. A copy of this report will be sent upon request.

Statement of Income and Surplus Reserve

For the Year Ended December 31, 1943

Your Company's income during the year consisted of:		
Insurance premiums, annuity deposits, dividends left with the Company to accumulate at interest, and policy proceeds left with the Company for future distribution under options of settlement	$89,816,222.35	
Investment income consisting of interest, dividends and rents, net increase of $644,436.02 in book values of assets, less expenses of foreclosed real estate including $750,322.02 for real estate taxes	29,283,623.92	
Net gain from sale or other disposition of assets	2,077,676.11	
Other income	51,273.61	
		$121,228,795.99
During the year your Company:		
Made payments of policy benefits to policyholders and beneficiaries amounting to . .	$51,946,232.42	
Increased the policy reserves and accumulated dividend fund by the amount of . . .	40,009,903.60	
Paid the cost of operations for the year including $2,180,176 68 for federal and state taxes, licenses and insurance department fees, of which $775,000.00 represents estimated federal income tax for 1943	12,055,495.93	
		104,011,631.95
For the year 1943, your Company's net income was		**$ 17,217,164.04**
At January 1. 1943, the surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies amounted to		36,851,286.08
		$ 54,068,450.12
From the above, your Board of Trustees provided for the payment of dividends to policyholders on policy anniversaries during 1944 in the amount of		9,900,000.00
So that the surplus reserve at December 31, 1943, amounted to .		**$ 44,168,450.12**

Statement of Financial Condition

December 31, 1943

ASSETS

Cash on hand and in banks		$ 10,969,944.09
Bonds and stocks at amortized or other values prescribed by National Association of Insurance Commissioners:		
Bonds:		
United States Government direct obligations (See Note A)	$283,224,405.99	
United States Government guaranteed obligations . .	8,934,311.28	
Canadian Government direct obligations	25,336,591.38	
State, county and municipal obligations	26,968,445.93	
Railroad obligations	107,604,558.66	
Railroad equipment obligations	35,109,644.00	
Public utility obligations	133,138,875.83	
Industrial and miscellaneous obligations	29,997,244.17	
	$650,314,077.24	
Stocks: Preferred, guaranteed and common	12,278,500.00	
		662,592,577.24
Mortgages, including $380,429.70 foreclosed liens subject to redemption:		
City	$115,354,859.23	
Farm	3,895,662.02	
		119,250,521.25
Real Estate:		
City	$ 21,332,391.54	
Farm	2,395,407.90	
	$ 23,727,799.44	
Home office building	7,285,751.35	
		31,013,550.79
Loans to policyholders on policies of the Company		53,903,577.01
Interest due and accrued on bonds, mortgages and loans on policies; and rents due and accrued on real estate		7,522,053.08
Premiums due and in process of collection from policyholders and premiums not yet due within current policy year, for which full statutory policy reserves have been set up; and miscellaneous assets		11,711,133.00
Total Admitted Assets		**$896,963,356.46**

LIABILITIES

Policy reserves which with future premiums and interest earnings provide for the payment of benefits as they fall due under the policies in force . . .		$778,081,911.00
Dividends left by policyholders with the Company at interest, and interest credited thereon		49,273,554.86
Dividends payable to policyholders on policy anniversaries during 1944 (This amount is distributed from savings in mortality, expenses, etc., and from interest earnings in excess of requirement of policy reserves)		9,900,000.00
Policy claims in process of settlement		3,598,954.37
Premiums, interest and rents paid in advance; accrued taxes; dividends to policyholders in course of payment; bills for current operating expenses; and miscellaneous liabilities		9,440,486.11
		$850,294,906.34
Surplus Funds:		
Reserve for mortgages	$ 2,500,000.00	
Surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies	44,168,450.12	
		46,668,450.12
Total Liabilities and Surplus Funds		**$896,963,356.46**

NOTE A—United States Government bonds carried at $263,357.64 in the above statement are on deposit with certain States as required by law.

NOTE B—The Statement of Financial Condition and the related Statement of Income and Surplus Reserve are prepared in accordance with accounting principles applied by the Insurance Department of Pennsylvania.

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Canadian Securities

Although in the last few years marked improvement has been registered by the bonds of the Canadian western Provinces, nevertheless the Canadian appraisal of many situations in this category is still considerably higher than here. This is particularly noticeable in the cases of British Columbia and Manitoba. In Canada, the credit of British Columbia now vies with that of the highest rated Provinces, Ontaria and Quebec. There are obviously very good reasons for this state of affairs, a few of which are cited as follows:

British Columbia has a wider range of natural resources than any other Canadian Province, including the finest stand of softwood in the British Empire, vast coal, iron and precious and base metal mines, rich fisheries, abundant hydro-electric power, rich soil and the best climate and scenery in all Canada. The provincial finances have been expertly handled by Premier John Hart and the present position is excellent. A revenue surplus of $5,196,040 was realized during 1941-42 and, in the last financial year, the surplus exceeded $8 millions. Consequently, there is every justification for the obligations of this province to sell well in line with those of Ontario and Quebec.

Turning to Manitoba, as far as investment opinion in this country is concerned, it can be very well termed the cinderella Province of the Dominion. The popular belief is that Manitoba is just a wide extent of prairie producing very little except wheat. In reality, wheat accounts for less than 10% of the value of the provincial income. Manufacturing is the principal item in Manitoba's economy, and in 1942 represented 48% of the total. The proportion for agriculture was 43% in the same year, and it is more widely diversified than in any other Province. Although the mining percentage currently is only about 4%, there are high prospects for greatly increased mineral production. An immense tonnage of chromite ore containing iron was discovered in 1942 in the Bird River area, where there is also abundant hydro-electric power. Therefore, it is hoped to develop an important ferro-chrome industry in the post-war period. Also recent gold discoveries in the Snow Lake area of northern Manitoba may be the basis of a major post-war field. With regard to the financial management, Manitoba's record in this respect is second to none in the Dominion. **We arrive at the conclusion, therefore, that Manitoba bonds should rank with those of Nova Scotia and New Brunswick.**

Market activity during the past week was on an increased scale with bonds moving from Canada in greater volume. As anticipated, however, this did not prevent the market making further headway in all sections. Rumors concerning an imminent settlement of the Montreal debt situation brought the issues of this municipality to the forefront of popular interest, and the long 4½s were well bid at par. Direct Dominions moved higher and there was an excellent demand for the 3s of 1953 at 103¾ and the 3s of 1958 at 104.

Nationals continued their upward course and the 5s of October 1969/49 were in demand at 117¾. Ontarios and Quebecs were also firm, especially in the shorter term area. Nova Scotias and New Brunswicks were steady with little activity, but Manitobas again were in strong demand with the longer term issues quoted on a 3⅞% yield basis. Saskatchewans continued their improvement and the 4½s of 1960 were quoted either side of 91. There was a renewed demand for Albertas with the 4½s bid at 83. Canadian Pacific perpetual 4s reached into new high ground with bids around 93½. Internal issues were inactive with the dollar in the "free" market slightly easier at 10½% discount.

A bullish factor affecting this section of the market has been largely overlooked. This is the right of holders of Canadian internal bonds who have brought bonds down from Canada on the rate, to register them with the Foreign Exchange Control Board. Such holders then have the privilege of resale of the bonds in Canada, which is obviously an important advantage.

Looking to future developments, we are now within a few weeks of the commencement of the Sixth Victory Loan drive. This might slow down the general activity to some degree, but there is no reason to suppose that the present strong tone will not continue, especially in the shorter term section of the market. Two factors that could be of material assistance in this direction would be the news of a definite settlement of the Montreal debt problem and a call for redemption on or before May 1 of the Canadian National 5s of July 1, 1969/44.

TAYLOR, DEALE & COMPANY

64 WALL STREET, NEW YORK 5

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CANADIAN SECURITIES

Government · Provincial · Municipal · Corporate

Inflation Antidote – High Output And Low Taxes

(Continued from page 890)

great outpouring of money. The national income has increased rapidly without any commensurate increase in the supply of non-war goods. Inevitably we have had a degree of inflation already. Since the war began the cost of living, according to the Index of the Bureau of Labor Statistics, has increased an average of 24%—the equivalent of a flat sales tax, without exemptions, of 24% on every family in the United States.

In a sense inflation itself is, of course, a form of taxation. It hits particularly those of fixed incomes, the millions of "white collar" workers, the beneficiaries of insurance policies, old age pensioners, disabled veterans, dependents of soldiers and sailors, and endowed institutions of religion, science, education and philanthropy. The burden of inflation, however, is much more serious, for inflation is a tax not only on every individual's expenditures, but on his savings and capital as well.

So far, inflation is more of a threat than an actuality, due to three factors; thorough publicizing of the danger, reasonably adequate rationing and price control, and an intensified willingness to save, rather than to spend, the tremendous surplus of disposable income.

The Increase in Savings

The savings of the American people have increased from an annual average of only $5,000,000,000 during the 1930's to more than $13,000,000,000 in 1941, $27,000,000,000 in 1942, and $36,000,000,000 in 1943. It is estimated that by the end of 1944 the country will have a reservoir of savings approaching $100,000,000,000, more than our whole national income in any year before the war. These savings are in hands of people who normally spend more than they save; three-fourths are held by members of the lower-income group.

While inflation-conscious America has shown examplary self-control during the war, to what extent will this attitude persist after the war is over? Hitherto several factors have entered into the practice of saving rather than spending: the purchase of war savings bonds in response to appeals to patriotism; unwillingness to pay higher than accustomed prices; inability to obtain durable goods such as automobiles, refrigerators, etc., and lack of opportunity to spend for construction and improvements. The restraint of the people may not have been altogether voluntary, for a lot of things that could be bought before have disappeared from the market, but a great deal of the failure to use the purchasing power must have been deliberate.

The war's termination will probably see the removal, partial at least, of these factors, and then will come the test of inflation control.

Production as the Answer

The pent-up demand for goods in the post-war period will be enormous, and the means of purchase will be plentiful—cash, bank accounts and salable Government bonds. With the advent of peace many individuals probably will cash in their Government bonds in order to buy hitherto-unavailable goods or make a down payment on a new home; or else they may regard their savings as a backlog and may spend more and save less out of their post-war incomes. This normal pent-up demand undoubtedly will be supplemented by a heavy demand for our products to feed and reconstruct the devastated countries, together with the need of all types of repairs, renovations, modernization, plus development of new products and processes.

The great danger is that the public may try to buy more goods than are immediately available, causing price inflation and destroying the value of both incomes and savings. It is fundamental that the price of a commodity or a service will not rise if the supply is ample in relation to the demand. Consequently the solution of the inflation problem seems to lie in the one word—production.

Our resources and facilities for production are sufficient to satisfy even the high levels of demand to be expected. The nation is Croesus-like in its natural resources, manufacturing facilities and normal labor supply. Its capacity to produce, developed and enhanced by the demands of war, is estimated at 50% more than it was in 1940. The industrial machine can function superbly, if unhampered by factors such as taxes, price fixing and restrictions that retard the incentive to produce.

The Factor of Taxes

It is generally assumed that the excess-profits tax will be repealed and corporate income and surtaxes modified, which will encourage the investment of "venture capital" in new products and processes, as well as further development of industries in new fields such as plastics, electronics, sulfa drugs, etc.

There are some who believe that taxes should be kept high as an anti-inflationary transition and post-war measure. But insofar as taxes hold back production, and especially since political considerations and administrative problems have prevented taxes from being levelled where inflationary pressure is greatest, high taxes would be inflationary, because they would tend to a limitation on the supply of goods.

The Means of Production

Just as the normal desire of consumers will be to replenish, resume and add to their required or wanted goods and services, the normal desire and course of producers will be to supply such goods and services.

The tremendous feats of war production demonstrate conclusively that, given free rein, American suppliers of goods and services can produce to such an extent that the inflation unbalance—a greater amount of the means of payment than of goods and services to be bought—need not become operative for any important period of time.

Against the inevitable delay in switching to full civilian production there will be the offset of the release of large amounts of surplus goods no longer needed to be held for military purposes and of the reduction in military consumption of other goods.

Thus, without restrictive factors, strong inflationary developments need not be expected—indeed, deflationary ones are possible in the switch from what is a sellers' market toward a buyers' market.

Possible Restrictive Factors

There are, however, possible restrictive factors, including Government limitations on production, on materials for production, on prices or wages, which would prevent production from being brought fully into play, and corporate financial limitations which could also rise, principally as a result of Government action (contract payments, taxes).

The Baruch-Hancock report on Post-War Adjustment Policies, just published, is a statesmanlike document which gives a bright picture of the nation's economic future and states the American free enterprise philosophy in strong terms. It reaffirms faith in private enterprise:

"There has been too much loose parroting of the slogan that if individual enterprise fails to provide jobs for everyone it must be replaced by some one of the other systems that are around. The war has been a crucible for all the economic systems of the world, for our own, for Communism, Fascism, Nazism—all the others. And the American system has outproduced the world.

"America's productive capacity can perform still another miracle in a fine and lasting peace. It will not do so if pressure groups are permitted to turn that productive capacity into a battleground for their own selfish interests or inflate ourselves out of the world market."

Conclusion

During the war inflation has been more of a threat than an actuality. The danger, always present, has been in the main averted by a combination of war-time price controls and the nation's determination to save rather than to spend increased income.

The danger will be enhanced in the post-war period by a combination of record savings, accumulated pent-up demand for goods and services, and relaxed controls, which can be met with adequate production. The means to prevent inflation, therefore, are ready to hand in the normal supply-demand factor of a free economy, unless hampered by unwise Government restrictions and excessive taxes. — From "Investment Timing" of Feb. 24th, issued by the Economic & Investment Dept. of the National Securities & Research Corp., New York City.

Kobbe, Gearhart Place Majestic Radio Stock

Kobbe, Gearhart & Co., Inc., on Feb. 29 completed a secondary distribution of 69,945 shares of Majestic Radio and Television Corporation common stock at $3.375 per share and the books have been closed. The shares offered are already issued and outstanding and the proceeds will be received by the selling stockholders. The net to the selling stockholders is $2.75 per share, with 50 cents per share for underwriting discounts and commissions.

Majestic was organized to produce and sell radio receiving sets to be sold under the name and trade mark of "Majestic" and "Mighty Monarch of the Air," which were acquired at the time Majestic began operations. The present production of Majestic consists of radio and electronic equipment for the Army and Navy, including manufacture of Piezo quartz crystals. Orders for such equipment have been sufficient to date to enable Majestic to make use of its production facilities and increase its earnings. Majestic has had no major problem in converting to war work and, while no assurances can be given, expects no substantial problem or delay in reconverting to peacetime products when that becomes permissible.

Majestic's manufacturing operations both in peacetime and in war, consist primarily of the assembly of parts produced by others to its specifications.

The only year since organization in 1936 in which Majestic has shown profits was the fiscal year ended May 31, 1943. Earnings in that year and at present are derived entirely from business directly or indirectly with the United States Government in connection with the war effort and there is no assurance that future business of this nature will be received nor that present contracts may not be cancelled in whole or in part at any time.

Forms Lewis & Broy

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — Del M. Broy is engaging in the securities business under the firm name of Lewis & Broy from offices at 381 Bush Street. Mr. Broy recently was connected with The Broy Company. In the past he was a partner in Lewis & Broy.

Promoting Labor Harmony In The War Effort

(Continued from page 891)

ice, such as one, two, or more years, may be included, and other classifications may be chosen where appropriate. However, no classification may discriminate in favor of employees who are highly paid employees, stockholders, supervisory employees and the like.

Benefits payable in some future period are then determined. The benefits may be in the form of a pension payable for life after retirement, and usually in proportion to compensation, or they may be in the form of funds distributable at some earlier time.

The problem of salary stabilization is sidestepped because if the plan secures Governmental approval, the contributions are exempt from stabilization restrictions. This is because the contributions are made to a trustee or an insurance company, and are not made immediately available to the employee. On the contrary, they are distributable only at retirement, or death or disability, or in 10% annual insallments beginning in 10 years, or 20% annual installments in the event of termination of employment. Thus their inflationary gap is not increased.

On the other hand, the wage earners participating in such a plan receive the benefit of having a nest egg laid aside for them out of current high earnings against some rainy day in the future.

Not only this, but these contributions are not taxed until actually received by the employee. This means that the withholding tax does not apply and when the funds are eventually received it may be expected that taxation will be at lower rates.

Frequently very substantial life insurance protection accompanies these plans as one of their elements.

A vast proportion of the funds contributed by employers is invested directly or indirectly in Government securities, thereby assisting the war financing program of this nation.

The observed effects upon morale of these plans are tremendously beneficial. Labor feels that it is getting a fairer share in current inflated earnings without contributing to the inflationary spiral. The specter of post-war deflation is largely defeated and the fear of death, penniless old age or disability is removed. The result of all this is a happier workman, more cooperative with management and more effective as an essential unit of production.

War plants all over the country are engaged in the process of installing these plans with very successful results.

Here are some of the public comments about employee benefit plans:

In a statement published on July 15, 1943, Senator George, Chairman of the United States Senate Finance Committee, said: "They are a prime means of preserving private capitalism in its contest with State capitalism."

With reference to pension plans before the House Ways and Means Committee, the following testimony was given: Mr. Paul E. Griffith, President, National Federation of Telephone Workers, stated:

> "The public and employee interest and benefit demand that the Bell System pension plan be not terminated. The maintenance of the pension plan has markedly increased the continuity of service of Bell System employees and reduced labor turnover. These employees, long regarded as one of the most efficient groups of employees in the nation, have an average period of service approaching the span of 15 years.
>
> "The maintenance of the pension plan plays an important part in the building up of morale among the employees, which is an important factor in permitting the companies to give the character of telephone service which the nation demands and requires."

Mr. Harry J. Hughes, a member of the Executive Board of Electrical Workers, affiliated with the American Federation of Labor, stated:

> "Probably no other condition of employment is cherished so highly as the comfort one receives in knowing that he will be secure in his old age. Industries that do not provide pensions turn their loyal and faithful employees away when they are old, and they have to depend upon the mercy of the State or the goodwill of their friends for support."

In its latest annual report to stockholders, Standard Oil Co. of New Jersey stated:

> "An outstanding feature of our labor program as adopted in 1918 deals with security of employment and protection against the hazards of sickness, accident, old age and death. These are the basic worries of employees. Our policy recognizes that workers put forth their best efforts if they are relieved of these anxieties. It was found that such protection is an incentive toward better work. Many industrial companies have since adopted similar programs, and social security has been provided by Government. Most employees look at job security as the most important feature of a labor policy. While unemployment benefits are helpful in emergencies, the feeling by employees that they can make a career in the business results in advantages to themselves and the company both. With these incentives, they devote themselves wholeheartedly to their work. The number of employees who have had continuous service of 30 to 40 years testifies to the effectiveness of these policies in promoting a feeling of partnership in the business."

Why NASD 5% Rule Will Close Capital Markets To Small Business

(Continued from page 891)

writing of smaller issues unless and until that rule is eliminated.

Let me try to explain our dilemma:

The SEC has permitted a profit of 15% to 20% on new "second-grade" financing, depending whether it is preferred stock, investment or semi-speculative common stock. At the first thought, it might be said that the 5% Rule will cause smaller security firms to join selling groups more readily and obtain more than half of the 15% to 20% of the underwriting profit and henceforth not pick up over-the-counter issues for resale to customers as much as such dealers have done in the past. But, on second thought, it must be realized that when the primary distribution of a new issue is completed, such preferred or common stocks become over-the-counter securities and then the dealers must henceforth comply with the 5% Rule to trade or resell such stock.

Note the inconsistency, the selling group members get more than half of 15% to 20%, or 8% to 12%. With such profit, that firm in turn can pay their retail salesmen 50% to 60% of their profit. Upon such a basis, the smaller dealers can carry on and their salesmen can earn a living compensation. But, if the dealers must divide with their salesmen on the secondary market the 5% profit, because of the 5% Rule, neither the small dealer nor salesmen can survive in the security business with such limited profit.

Many people do not realize the hard work involved or the salesmanship required to distribute second-grade or semi-speculative issues. Only experience as a salesman or small dealer could convince many people that a small retail distributing security firm must have 8% to 12% profit. Remember, all former prime issues or "blue chips" were once second-grade although they may have been originally distributed 10, 20, 30, 40 or 50 years ago. The buying of such issues as General Motors, Kresge Stores, General Electric and American Telephone and Telegraph were once speculative and many a fortune or a comfortable family income was once acquired by past risking of capital.

Now, if the security dealer cannot help maintain the secondary market of a new issue because of the 5% Rule, obviously, the underwriting firm cannot buy all the stock back at the offering price because of lack of resources, the market on the newly sold issue will fall off sharply.

Suppose the underwriting firm tries to go out with an entirely different second issue to cover the same territory, his wholesale salesmen, covering the dealers located in many cities in various States, will be greeted by dissatisfied dealers, former selling group members of the first issue (if they are still in business), with the fact that the market on the previous issue has declined sharply from the public offering price. Therefore, with numerous smaller dealers unhappy, because their retail salesmen are "getting hell" from the customers, who purchased the stock of the first issue; the underwriting firm is stimied in floating the second or third issue, and all succeeding issues, which under normal conditions should be readily marketable.

Thus ends all your underwriting business as no firm with wholesaling or distributing ability will even start the second underwriting as long as the 5% Rule exists. The whole situation is so evident that the 5% Rule ends all second-grade or speculative originations that "common sense" should be quickly injected by the SEC to terminate the 5% Rule.

If the SEC should not do so, then Congress should act; otherwise, all small businesses will either have to "grub" along with high taxes or sell out to "big business" in similar lines. Without adequate working capital furnished to hundreds of small firms, the post-war employment possibilities are very dark. Probably the employment burden will have to be again assumed by the Government with a revived WPA, because the larger corporations surely cannot provide all employment necessary at the end of the war.

WHITNEY-PHOENIX
COMPANY, INC.
STRABO V. CLAGGETT,
President.

New York City,
Feb. 26, 1944.

All of these securities having been sold, this announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities.

NEW ISSUE

$16,500,000

Florida Power Corporation

First Mortgage Bonds, 3⅜% Series due 1974

Dated January 1, 1944 Due January 1, 1974

Price 104.8257% and accrued interest

Copies of the Prospectus may be obtained in each State from such of the undersigned as may legally furnish the Prospectus in compliance with the laws of such State.

Kidder, Peabody & Co.

White, Weld & Co. **Shields & Company** **Harris, Hall & Company** (Incorporated)

Lee Higginson Corporation **F. S. Moseley & Co.** **Equitable Securities Corporation**

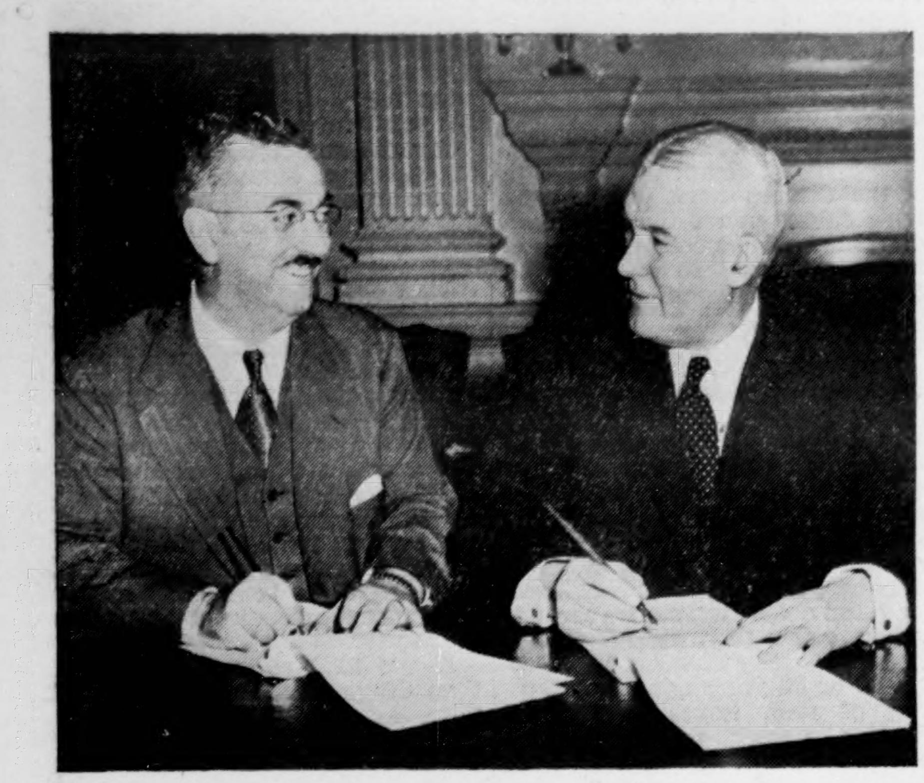
Hallgarten & Co. **Laurence M. Marks & Co.** **L. F. Rothschild & Co.**

Alex. Brown & Sons **Stroud & Company** Incorporated **Auchincloss, Parker & Redpath**

R. L. Day & Co. **Putnam & Co.** **Dean Witter & Co.**

February 28, 1944.

Bank of Manhattan Renews 104-Year-Old State Contract



State Comptroller Frank C. Moore (left) and F. Abbott Goodhue, President of the Bank of the Manhattan Company, renew 104-year-old State contract under which the bank continues to act as transfer agent for New York State.

Municipal News & Notes

A group headed by The Chase National Bank is making a public offering of a new issue of $8,330,000 State of New York 1.30% housing bonds, having won the award of the bonds yesterday on a bid of 100.3599 for bonds with a 1.30% coupon. The bonds, dated March 2 and due $170,000 each year, March 2, 1946 to 1994, inclusive, are priced to yield from 0.40% for obligations maturing in 1946 to a price of 97½ for 1993-94 maturities.

The bonds are redeemable at par and interest on March 2, 1964, or any interest payment date thereafter, all bonds then outstanding, or all bonds of a single maturity beginning in the inverse order of their maturity. They are exempt from present Federal and New York State income taxes and are legal for savings banks and trust funds in New York, Connecticut and certain other States and for savings banks in Massachusetts. They are also acceptable to the State of New York as security for State deposits, to the State Superintendent of Insurance to secure policyholders, and to the State Superintendent of Banks in trust for banks and trust companies.

New Decision In Cochran County Case Resolves Callable Status of Refunding Bonds

The Texas Supreme Court has just resolved one of the several important questions posed by its decision of June 16, 1943, in the highly publicized Cochran County bond redemption case. The Court, in a ruling made on Feb. 23 in a test case brought by Bexar County, held that refunding bonds issued by the county in accordance with the decision in the Cochran County litigation, were not subject to redemption until the expiration of the 10-year optional date specified in the instruments.

The effect of the latest judgment is to resolve the question raised by some municipal bond attorneys as to the callable status of refunding bonds issued by local subdivisions in accordance with the provisions of the Cochran County decision. These sources had held that some doubt existed as to whether refunding bonds thus issued might not be subject to call at any time after date of issue regardless of the specific callable date named therein. The Court's current decision is given in full text further below.

As reported to us by Charles W. Anderson, Bexar County Judge, whose advices were given in these columns on Feb. 17 (page 707), the county decided to have the Court pass on the question at issue and, to this end, called for payment on Feb. 15, 1944, the outstanding portion of an issue of juvenile home refunding bonds, dated Oct. 10, 1943. These bonds were made subject to call after 10 years from date of issue and were issued by the county in connection with the call for redemption on Oct. 10, 1943, of a total of $1,283,000 bonds, such action having been taken as a result of the Cochran County decision.

Judge Anderson also advised that $673,000 of the called bonds have been turned in and either paid off or refunded and went on to say that "many holders of the called bonds have not turned them in for the reason that they have been advised that further litigation might be expected" in connection with the Court's original decision.

Coincident with the Supreme Court's current decision, the San Antonio, Texas, investment firm of Dewar, Robertson & Pancoast has supplied us with the text of the ruling and a copy of a memorandum on the Cochran County decision which the firm has prepared. We quote from the memorandum in part as follows:

"The most important questions that are still before us relate to the effect this (Cochran County) decision has had on other types of bonds. In the opinion of some attorneys, other types may be callable and this has caused the destruction of good markets in these bonds. We heard the other day of a block of road district bonds selling at 103½ which normally would have sold at 125. Therefore, these questions must be determined and efforts to do this are presently in the mill. . . .

"With end of interested insurance companies and banks we have employed the best legal talent available and we are very hopeful of winning the fight to determine that other bonds are not callable. This phase of the matter is far more important than the original decision as it covers the important categories of unlimited tax road and ~~road district~~ bonds which run into the hundreds of millions as against less than 20 million covered by the Cochran County decision. Bexar County cooperated in the first test case and Jefferson, El Paso and Travis counties stand ready to cooperate in friendly suits to test out the other questions. There is also some hope left that the scope of the original decision may be narrowed and suits are in process along this line.

"In conclusion, we should like to reiterate our often expressed belief in the fundameintal soundness of Texas credits and institutions whose integrity has been questioned by some statements we have recently seen in print. While the Cochran case has had many unfortunate consequences, we feel that Texas people, as expressed through their courts and public bodies, are particularly concerned with questions of good faith and integrity, and have so demonstrated this over the years."

Text of Recent Decision

Below we give full text of the Texas Supreme Court decision of Feb. 23 last, in the Bexar County case:

Motion No. A-69
In the Supreme Court of Texas
Bexar County, Texas,
Petitioner,
v.
Grover Sellers, Attorney-General,
et al,
Respondents.

Bexar County has filed in this Court a motion for leave to file a petition for mandamus to compel the Attorney-General to approve the issuance of certain refunding bonds proposed to be issued by said county.

In 1925 the Commissioner's Court of Bexar County issued Bexar County Juvenile Home Bonds in the sum of $50,000, maturing serially from 1927 to 1965, both dates inclusive.

These bonds were issued under Chapter 1, Title 18, Revised Statutes of 1911, which is now Chapter 2, Title 22, of Revised Statutes of 1925.

In 1943 the Commissioner's Court of said county issued refunding bonds in the sum of $33,000, to take up and refund the balance of the original 1925 series of bonds. The refunding bonds were dated Oct. 10, 1943, and maturing serially from 1944 to 1962, inclusive, "with option of redemption on any interest payment date on or after Oct. 10, 1953, upon 30 days' notice."

Said county now proposes to issue new bonds of date Feb. 15, 1944, to take up the refunding bonds previously issued on Oct. 10, 1943. The holders of the 1943 series of bonds have refused to surrender them for redemption, and the Attorney-General has refused to approve the record for the issuance of the new bonds to be dated Feb. 15, 1944.

We think the Attorney-General is correct in his position. Revised Statutes of 1925, Article 720, reads as follows:

"All bonds issued under this chapter shall run not exceeding 40 years, and may be redeemable at the pleasure of the county at any time after five years after the issuance of the bonds, or after any period not exceeding 10 years, which may be fixed by the commissioners' court."

Revised Statutes, Article 725, authorized the issuance of the 1943 series of refunding bonds, and since that Article is a part of the same chapter as is Article 720, quoted above, the refunding bonds issued in 1943 by virtue of Article 725 are subject to the provisions of Article 720.

As held by this Court in Cochran County v. Mann, — Tex —, 172 S. W. 2d 689, all bonds issued under chapter 2, title 22, of Revised Statutes of 1925, are subject to the provisions of Article 720, and if at the time the bonds are issued the Commissioners' Court does not evidence its election as to when the bonds may be redeemed, they automatically become redeemable at any time after five years after the issuance thereof. But the Commissioners' Court, if it elects, may postpone the date after which the bonds may be redeemed to not exceeding 10 years from the date of their issuance. In accordance with the provisions of said Article 720 the Commissioners' Court of Bexar County elected to fix the date after which the 1943 series of bonds could be redeemed at 10 years after their date. Consequently, all of the bonds which do not by their terms mature prior to Oct. 10, 1953, are not redeemable prior to that date without the consent of the holders thereof.

Petitioner seems to be of the opinion that the five and 10-year period provided for in Article 720, after which the bonds may be redeemed, begins to run from the date of the creation of the original indebtedness, and not from the date of the issuance of the 1943 refunding bonds sought to be redeemed. We are not in accord with this view. The refunding bonds which the county now seeks to refund are "bonds issued under this chapter" within the meaning of Article 720, and the five and 10-year period therein provided for after which the bonds may be redeemed begin to run from the date of the issuance of the bonds sought to be redeemed—in this instance Oct. 10, 1943—and not from the date of the original indebtedness—that is, 1925. Therefore, the refunding bonds issued in 1943 are not redeemable at this time.

The motion for leave to file the petition for mandamus will be overruled.

JAMES P. ALEXANDER,
Chief Justice.

Opinion delivered Feb. 23, 1944.

California Municipal Credit On High Plane

In their current memorandum, "Economic Trends in California," Kaiser & Co., of San Francisco and New York, observe that while for some years prior to the war, California municipalities were increasing in population and assessed valuation, and were decreasing their debts and tax delinquencies, the war has accelerated these trends, except with respect to assessed valuations which have suffered because of restrictions on home building.

Continuance of the favorable trends, the bond house says, resulted in the raising on Jan. 1 of the credit ratings of a large number of California political subdivisions by Moody's Investors' Service. The memorandum contains a list indicating the upward revision that was made in the credit ratings of various counties, cities and school districts. In addition to noting the local trends in bonded debt, assessed valuations, populations and tax delinquencies, the study also includes informative comment regarding indebtedness and finances of the State of California, San Francisco-Oakland Bay Bridge, East Bay Municipal Utility District, Metropolitan Water District of Southern California and the City and County of San Francisco.

As to whether the State will retain the wartime growth which in a few years has given it an industrial development that otherwise would have taken decades to achieve, the memorandum says that the answer is in the affirmative, assuming the correctness of the conclusions contained in a recent study by Dr. Philip M. Hauser, Assistant Director, Bureau of the Census, in which he classified 137 metropolitan areas in the United States according to war growth and post-war prospects.

Kidder, Peabody Offers Florida Power Bonds

Formal offering was made Feb. 25 by Kidder, Peabody & Co. and associates of a new issue of $16,500,000 1st mtge. 3⅜% bonds due 1974 at 104.8257 and accrued interest. The banking group purchased the bonds at competitive sale Feb. 23. The underwriters include White, Weld & Co., Shields & Co., Harris, Hall & Co. (Inc.), Lee Higginson Corp., F. S. Moseley & Co., Equitable Securities Corp., Hallgarten & Co., Laurence M. Marks & Co., L. F. Rothschild & Co., Alex. Brown & Sons, Stroud & Co., Inc., Auchincloss, Parker & Redpath, R. L. Day & Co., Putnam & Co., Dean Witter & Co., Bacon, Whipple & Co., Clement A. Evans & Co., Mitchum, Tully & Co., Johnson, Lane, Space & Co., Moore, Leonard & Lynch, J. M. Dain & Co., Folger, Nolan & Co. and Harold E. Wood & Co.

Proceeds from this financing and of $4,000,000 3¼% serial debentures to be sold privately will be applied to redemption of all the outstanding funded debt of the company, including that of Florida Public Service Co., assumed, of an aggregate principal amount of $20,070,400.

Now H. J. Lamm & Co.

The firm name of Lamm, Guthy & Co. was changed to H. J. Lamm & Co. effective February 24th on which date, Catherine Lamm, a limited partner in the firm, became a general partner. Offices of the firm, which is a member of the New York Stock Exchange, are at 29 Broadway, New York City.

Heinzelmann & Ripley Admits Partners

Leslie R. Schwab and Frederica R. French have been admitted to partnership in Heinzelmann & Ripley, 40 Exchange Place, New York City, with Henry B. H. Ripley. Paul Heinzelmann has withdrawn from partnership in the firm.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Block, Maloney To Admit

Miles T. Maher will shortly be admitted to partnership in Block, Maloney & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Maher will act as alternate on the floor of the Exchange for E. Coyne Maloney.

Attractive Situation

Capital stock of Pollak Manufacturing offers interesting possibilities, according to a detailed discussion of the situation prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this study may be had upon request from Raymond & Co.

Arkansas Highway Principal And Interest Payments

Halsey, Stuart & Co., Inc., in a communication to holders of the $133,542,000 State of Arkansas Highway Refunding Bonds of 1941, state that they will pay as funds are provided on April 1, 1944, the interest coupons then due on all of the bonds presented to them and principal then due of $1,880,000. In addition, the State has elected to redeem on April 1, $1,000,000 Term Bonds which are due April 1, 1972, and which may also be presented to Halsey, Stuart & Co., Inc.

OUR REPORTER'S REPORT

The furore touched off by the Pennsylvania Railroad some months ago when it negotiated directly with bankers for the sale of an issue of $28,483,000 Pennsylvania, Ohio & Detroit RR. bonds re-echoed through the investment banking world early this week.

Cleveland bankers who raised hob with the big trunk line's officials at the time, charging that they had ignored more favorable bids, have now filed suit against the two roads involved, their officials and directors.

The bankers, in this instance, are acting in the capacity of stockholders and charge that the manner in which the sale was arranged, a procedure long followed in the railroad field, resulted in loss of $1,000,000 to Pennsylvania stockholders.

It was this piece of underwriting which finally forced the hand of the Interstate Commerce Commission and brought about hearings on the demand of the Middle Western banking interests that all railroad financing be done on a competitive basis similar to the policy followed in the public utility field under the rule promulgated by the Securities and Exchange Commission.

Thus far the Interstate Commerce Commission has not handed down its ruling in the railroad case, but since testimony has been in for some months a decision should be available soon.

The current suit seeks to establish whether officials and directors with small ownership in a great corporation can continue to treat "financing as a personal prerequisite to be passed out to their banker friends regardless of the cost to stockholders," say the plaintiffs.

Button, Button, Etc.

Banking firms which make a specialty of participating in sizable secondary offerings had something of a mystery on their hands during the last few days.

Via the well-known "grapevine" telegraph word got around that there was a large block of U. S. Steel Corp. common stock coming out on the secondary market.

Word got around fast, and it was not long bfore virtually the entire banking and brokerage fraternity "had wind" of the prospective offering of 100,000 shares or more of the stock.

But despite the fact that everybody seemed to know that the offering was coming, no one appeared to have any definite idea of who had the stock or where it originated.

There Are Times

As a general rule, utility holding companies having sizable blocks of subsidiary stocks of which they must divest themselves under the operation of the Public Utility Holding Company Act, are found applying to the Securities and Exchange Commission for exemption from Rule U-50 which provides for competitive bidding.

But as the old saying goes, "the exception often proves the rule." So now we find Engineers Public Service Co. preparing to dispose of its holdings of 51,357 shares of common stock of El Paso Natural Gas Co.

Since El Paso Natural Gas is classed as a non-utility, selling only to industrial and wholesale users, it is exempt from compliance with the competitive bidding requirement.

But report now has it that Engineers Public Service will shortly invite bids from a number of potential buyers.

A Quick Premium

Florida Power & Light Corp.'s $16,500,000 of first mortgage 3⅜% bonds, brought out late last week, proved a quick mover, in line with preliminary predictions.

From all indications, a substantial portion of the issue has found its way into the portfolios of the larger life insurance companies. Bankers pointed out that it was the type of offering which would attract considerable interest from such buyers.

That the bonds are not in the hands of people seeking to realize a quick-turn profit appears to be evident from the fact that they continue to command a premium averaging a point or so above the offering price of 104.8257.

Hassett Named Secretary To President Roosevelt

On Feb. 19 William D. Hassett, veteran newspaperman, was appointed a full Secretary to President Roosevelt. He has been an assistant to White House Press Secretary Stephen Early, said Associated Press advices from Washington to the Washington "Post," which also had the following to say:

"Mr. Hassett's appointment papers were presented him at a surprise ceremony arranged by Mr. Roosevelt in the Presidential office.

"Mr. Hassett, 63, a native of North Field, Vt., succeeds the late Marvin H. McIntyre. His appointment marks the first time in several years that the President has had three $10,000 a year secretaries as authorized by law. The other two are Early and Maj.-Gen. Edwin M. Watson, who also serves as chief military aide.

"Both Mr. Hassett and Mr. Early were members of the Associated Press Washington staff during the first World War."

Attractive Situation

The Mohawk Rubber Company offers an attractive situation, with the postwar outlook for synthetic tires and the sensational advance in this field pointing to increased earnings and prosperity at the close of the war, according to a circular issued by Cayne, Ralston & Co., Union Commerce Building, Cleveland, Ohio, members of the Cleveland Stock Exchange. Copies of the circular, which also contains a balance sheet, may be had from Cayne, Ralston & Co. upon request.

Sholts Inv. Co. Formed

(Special to The Financial Chronicle)

WAUWATOSA, WIS.—Budd L. Sholts has formed the Sholts Investment Co. to engage in a securities business. Mr. Sholts was recently associated with Gardner F. Dalton & Co. of Milwaukee. Prior thereto he conducted his own investment business in Milwaukee.

Mfg. Situation Interesting

Common stock of the A. E. Staley Manufacturing Co. offers interesting possibilities according to a circular issued by Cruttenden & Co., 209 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this circular may be had upon request from Cruttenden & Co.

New Issue

$8,330,000

STATE OF NEW YORK

1.30% Housing Bonds

Dated March 2, 1944

Due $170,000 each year, March 2, 1946-94 Incl.

Redeemable at par and accrued interest on March 2, 1964, or on any interest payment date thereafter, all bonds then outstanding, or all bonds of a single maturity beginning in the inverse order of their maturity.

Interest Exempt from all present Federal and New York State Income Taxes

Legal Investment for Savings Banks and Trust Funds in New York, Connecticut and certain other States and for Savings Banks in Massachusetts

Acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policy holders, and to the Superintendent of Banks in trust for banks and trust companies

MATURITIES AND PRICES

(Accrued interest to be added)

Due March 2	Yield to Maturity	Due March 2	Price	Approx. Yield to Opt. Date March 2, 1964	Approx. Yield to Maturity
1946	.40%	1965-67	103	1.13%	1.15%
1947	.45	1968-70	102½	1.16	1.19
1948	.50	1971-73	102	1.19	1.22
1949	.60	1974-76	101½	1.22	1.24
1950	.65	1977-78	101	1.24	1.26
1951	.70	1979-80	100½	1.27	1.28
1952	.75	1981-84	100	1.30	1.30
1953	.80	1985-86	99½	1.33	1.31
1954	.85	1987-88	99	1.36	1.33
1955-56	.90	1989-90	98½	1.39	1.34
1957-58	.95	1991-92	98	1.41	1.36
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A Post-War Program For Taxation Of Corporations And Stockholders

(Continued from first page)

consists of the following four planks:

1. The abolition of all corporate taxes, with the exception of a very small corporation income tax.

2. The adoption of a new method of taxing gains and losses on sales of common stock, in order to prevent undistributed corporate earnings escaping individual income taxes and to allow the individual stockholder the benefit of the corporate losses.

3. The reduction of the individual income tax rates in the higher brackets.

4. A reduction in individual income tax rates on income from new risky enterprises.

I.

The abolition of all corporate taxes with the exception of a very small corporation income tax.

When originally adopted, corporation income taxes were in substance a mechanism for collecting the individual's normal taxes at the source, since dividends received from corporations were exempt from normal taxes in the hands of the stockholder. In 1936 this exemption was eliminated, and as a result there has been brought about what is in reality double taxation of corporate earnings. The effect of this is to completely violate all principles of equality of taxation. If a corporation earns one dollar a share and pays a corporation tax of forty cents on it, and distributes the remaining sixty cents, an individual subject to a 20% tax on the dividend pays a tax of 12 cents. Thus in effect he has paid a 52% tax on the dollar earned by the corporation for him. If the same business had been conducted in the form of a partnership, he would only have paid a 20 cents tax on that dollar. Even an individual in the 90% bracket would, by paying 54 cents on the dividend received, be in effect paying a total of 94 cents as compared to the 90 cents he would pay as a partner. These figures illustrate that in the case of a corporation distributing all of its earnings in excess of income taxes, the effect is that taxes are both greater than the taxes on other income, and also disproportionately high in the case of the small taxpayer.

Similarly if the same corporation earns two dollars a share and pays the same dividend of 60 cents, retaining the other 60 cents, a 40% tax will in effect be paid on the second dollar by both the small and large stockholder, which is in the one case greater and in the other case less than the individual rates of the two stockholders assumed above.

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Not only does inequality thus exist if a corporation has earnings, but a similar inequality exists if a corporation has losses. If a business is conducted in partnership form and has losses, such losses are deductible from the other income of the partners. In the case of a corporation, however, the losses cannot be deducted by the stockholders. This not only violates the principle of equality of taxation, but obviously results in much greater injustice to the large taxpayer than the small taxpayer. If a corporation loses ten dollars a share, a holder of 100 shares in the 20% bracket pays $200 greater taxes than he would if he were conducting the business as a partner, whereas a similar stockholder in the 90% bracket pays $900 more.

These wholly unjustified inequalities have been accepted by our country in large part because of the fallacious personification of a corporation. We have come to think of a corporation as a profit-making instrumentality which should be taxed as a separate entity. In fact, however, the corporation is only a legal form through which individuals invest their money. It is the individuals, in the last analysis, who are the ones who alone bear the burden of taxes.

While admittedly an individual stockholder in contrast to a partner has little, if any, voice in the decision as to how much of the income of a given year should be held in the business, and while he likewise is free from personal liability for the corporation's debts, these real distinctions between the two forms of organization nevertheless do not justify the existing great difference in tax treatment of stockholders and partners. At most they would justify a tax at a very low rate of approximately 5% for the privilege of doing business in the corporate form.

The reduction of the corporate income tax to this rate would therefore appear to be the first step in a sound tax program to eliminate the existing inequalities in the taxation of corporate income.[1]

The effect of this proposal on Government revenues is, of course, a major factor which must be considered. Upon analysis it does not seem as serious as might first appear. In most cases, if corporate earnings before taxes remain the same, the increased earnings after taxes would be distributed to the stockholders, and the loss of the corporate tax would be offset to a large extent by the additional individual taxes, the exact amount of the offset, of course, depending upon the rates in effect for the individual. There might be a tendency for some corporations to accumulate more earnings if the corporate tax were reduced, but even in those cases whatever loss of Government revenue would occur would be largely offset through the adoption of the second proposal discussed below.

The preceding deals only with the corporation income tax and does not deal with the corporation excess profits tax. Obviously where such a tax exists the inequalities above shown are increased even further. Furthermore the present tax is intended to reach war profits only.[2] The excess profits tax on corporations should therefore likewise be abolished when the war is over.

Thereafter an attempt should be made to develop a new type of excess profits tax as an alternative to applying government price fixing, which now exists in the field of public utilities, to other monopolistic situations such as for example arise from the ownership of natural resources.

The outlines of such a tax were suggested in The Twentieth Century Fund Survey of Taxation, prepared under the supervision of a committee of which the writer was a member:

> "We do recommend that a strenuous effort be made to apply the tax to unincorporated firms. * * * So far as possible, each business should be taxed separately. Indeed, an effort might be made to isolate and tax the monopoly productions and transactions within a single business, though this may of course prove to be impossible. * * * The rate of return that is called 'fair' should vary with the degree of risk. * * *
>
> "We have no idea how much revenue can be expected from the kind of tax that we propose. We are not drawn to it primarily as a means of capturing high profits from risky enterprises, or windfalls, or inflation profits. It if were not far the monopoly problem, we should not recommend the tax at all, for we are impressed by its theoretical and technical difficulties."[3]

The current controversy over the so-called renegotiation of war contracts law—which is a misnomer for a 100% tax on "excessive profits" from such contracts—has brought out how great these difficulties in fact are. However if an excess profits tax of this nature is not adopted, the extension of price fixing is inevitable, and certainly our American experience with rate regulation gives us little confidence in this alternative. Yet we cannot hope to maintain capitalism without finding some solution to this problem.

One other tax on corporations which now exists, namely the capital stock tax and its implement the declared-value excess profits tax, should unquestionably be eliminated.

II.

The adoption of a new method of taxing gains and losses on sales of common stock in order to prevent undistributed corporate earnings escaping individual income taxes and to allow the individual stockholder the benefit of the corporate losses.

If corporation income taxes, other than a small privilege tax, are to be abolished, equality of taxation will be attained in the case of corporate earnings distributed as dividends. However, a fundamental problem still remains untouched, namely, how to effect such equality with respect to undistributed earnings and losses. If this is not solved, undistributed earnings would escape individual income taxes.

This problem has been as baffling to economists as the problem of squaring the circle has been to mathematicians. Various solutions have been suggested.

A. The first is that corporations should be taxed like partnerships. Under this method the stockholder would treat as his personal income his proportionate share of the profits or losses of the corporation.

This proposal is unsatisfactory for three reasons.

Firstly, under the last decision of the Supreme Court dealing with the subject, this proposal would probably be unconstitutional. However, the Court as presently constituted might now reverse the earlier decision. If not a constitutional amendment would be necessary.

Secondly, in the case of a corporation which determined to retain a large part of its profits, this proposal would result in injustice to stockholders who did not have sufficient money to pay the tax on their share of the undistributed profits. If the stock of the corporation had a ready market the necessary cash could be realized by a sale of part of the stock. However, in the case of corporations with a very narrow market or without any market, such forced sale, if it could be effected, would probably be at a price far below true value, with consequent great hardship to the stockholder.

Thirdly, this proposal would materially complicate the preparation of the stockholder's income tax return and the administration of the tax.

Stockholders would have to be advised by the corporation of their share of accumulated earnings or losses for each year, and would have to include it in their return. In addition, when a stockholder sold his stock the value of the stock sold would include the accumulated profits upon which he had already been taxed. Accordingly this amount would have to be computed and deducted from the sale price before computing his capital gain or loss. Likewise, if the corporation had sustained losses which the stockholder had already taken advantage of, these would have to be ascertained and added to the sales price. A sale at a profit might thus be turned into a sale at a loss, and vice-versa. The resulting complications involved in the preparation of individual returns would be well-nigh insuperable.

In the light of these three objections, this proposal would seem impracticable.

B. Another method of solving the problem which has been widely supported is that of an undistributed profits tax. Such a tax was in effect for 1936 and 1937, in addition to the corporate income tax. In England it is the sole method of corporate income taxation, although it is not usually called an undistributed profits tax.[4] English corporations are subject to an income tax on all profits at the same rate as the individual's normal tax, but when any profits are distributed the tax paid on such profits is treated as a tax on the stockholder withheld at the source.

This alternative likewise does not provide a satisfactory solution to the problem we are faced with. On the one hand it would not accomplish complete tax equality between distributed and undistributed profits unless the tax were so high as to force 100% distribution of earnings remaining after the 5% privilege tax, and on the other hand even if that were accomplished the stockholder would still not get the benefit of corporate losses.[5]

Moreover the suggestion of compelling a 100% distribution of corporate earnings is unsound if such distribution must be in the form of cash; the adoption of such a policy, by preventing corporations from retaining any portion of their earnings, would to a very great extent put an end to the possibility of desirable corporate expansion.

Accordingly, various alternative mechanisms have been suggested whereby the distribution of earnings could be made in some other form than cash, but still be taxable to the stockholder and at the same time furnish him with a means of paying his tax. One such plan now under consideration is to issue scrip which would be payable in cash in varying amounts to each stockholder depending upon the amount of his income tax; and the balance would be automatically convertible into stock of the corporation. This proposal, while ingenious, is too complicated for possible adoption as well as being open to other objections.

No satisfactory way can be found to avoid the difficulties inherent in an undistributed profits tax, and accordingly it must be rejected.

C. A third solution to the problem which has been advocated is the imposition of a penalty tax upon unreasonable accumulations of earnings. This would be an extension of Section 102 of the InCome Tax Law which imposes a penalty if earnings are withheld for the purpose of avoiding surtaxes on the stockholders. Even in its present form it has proved most unsatisfactory, and it should be restricted to closely held companies rather than extended as suggested.

The reason for this is that it is impossible to devise any precise test of where the line is at which an unreasonable accumulation of profits commences. In effect, therefore, it would mean that some Government agency would have to decide in each particular case to what extent accumulation or distribution of profits was socially desirable, and this would take from private management of business one of its major functions Furthermore, the administrative problems in creating machinery to provide for prompt decisions by the Government before action must be taken by the directors, rather than decisions by courts some three or four years after the event, as at present, are insoluble. In addition, even if all of these difficulties could be worked out, the major objectives would still not be attained in that the amount of profits reasonably withheld would be free from tax, while corporate losses could not be availed of by the stockholder.

D. Another solution to the problem would be to value all common stocks at the end of each year and to treat the increase or decrease in value during the year as profit or loss to the stockholder.

Wholly apart from the broader question involved in this proposal, namely, the taxation of capital gains, which will be discussed hereafter, this proposal seems unsatisfactory for two reasons.

The one is the impossible administrative task of making such evaluation annually for all corporations. The other is that even if this could be surmounted, the stockholder in a corporation which had no market or only a very narrow market for its stock and who was compelled to sell a part of his stock to pay for his tax on the unrealized gain in a particular year, would in many cases be forced to sell such stock at a sacrifice price far below its true value.[6]

E. We come now to a fifth solution to the problem. Mr. George O. May suggested over 20 years ago that a tax might be imposed on the sale of stock of corporations

"where it might appear that

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[1] This was proposed in The Twentieth Century Fund Survey of Taxation (1937) at pages 406, 430.

[2] Carl Shoup, The Concept of Excess Profits under the Revenue Acts of 1940-42, Law and Contemporary Problems (1943) Vol. X, p. 28.

[3] Page 410.

[4] Shirras and Rostas, The Burden of British Taxation (1943), page 97 and following.

[5] Kimmel, Postwar Tax Policy and Business Expansion (1943), Brookings Institution Pamphlet No. 53, favors the adoption of an undistributed profits tax similar to that in England with a normal tax rate of 22%: pages 15, 41. This conclusion is justified by the statement

> "British experience indicates that a high normal or standard tax collected at the source largely disposes of the undistributed profits tax question." (Page 16, Note 22.)

The best British opinion, however, is to the contrary:

> "Successive Finance Acts made special provisions against the practice of using the device of undistributed profits tax on undistributed profits as a means of avoiding the payment of surtax. It is now illegal for companies owned by less than a certain number of persons not to distribute within a reasonable time the income derived by the company to its shareholders. Although these provisions make the intentional avoidance of surtax much more difficult than formerly it would be idle to pretend that the ratio of undistributed profits to dividends, over the general field of companies, would remain the same if these tax differences between the two types of income were eliminated." (Shirras & Rostas, *supra*, page 100, Note 1.)

[6] The Twentieth Century Fund Survey of Taxation's conclusion with respect to this solution to the problem of undistributed profits was as follows:

> "The Committee believes that an unremitting effort should be made to devise some practicable plan by which annual changes in the accrued value of stockholdings can be reflected in the stockholder's income tax returns." (Page 479.)

The writer is now convinced that this effort can never attain success.

there was a profit which was attributable to the accumulation of undivided profits by the corporation and that the sale was made to avoid the imposition of the tax which would be assessed on such profits if distributed as dividends."[7]

The first half of this suggestion might well be adopted and developed into the following program:

(a) Whenever common stock is sold at a profit, the portion of the profit up to the amount of earnings accumulated by the corporation during the period the stock was held, should be taxed as ordinary income. The balance of the profit, if any, should be taxed as a capital gain.

(b) A corresponding procedure should be adopted in the case of the sale at a loss of stock of a corporation which had accumulated losses.

(c) To enable the stockholder to make the necessary calculations, corporations should be required to inform their stockholders annually of the amount of accumulated profit or loss per share during the year.

(d) In the case of a stockholder buying or selling during a year, the accumulated profits or losses for the year would be presumed to have been incurred proportionately throughout the year, and days within any month could be ignored.

To illustrate this proposal, assume that a stockholder purchased a share of stock in corporation X for $100 on the 1st of April, 1941, and sold the stock on the 1st of July, 1943 for $150. Assume for the sake of simplicity that the corporation reported to its stockholders that the undistributed earnings per share for each of the years 1941, 1942 and 1943 was $12.

The stockholder in question had a profit of $50 on his share. The amount of accumulated earnings during the period held was $8 for the nine months in 1941, $12 for the full year 1942, and $6 for the six months in 1943, or a total of $26 per share. This amount would accordingly be taxed to him at ordinary rates in 1943, and the balance of his profit of $50, or $24, would be taxed as capital gain.

This proposal would appear to constitute a solution to the problem above presented in that in most cases it would result in undistributed corporate profits being ultimately taxed at ordinary rates to the stockholder, and would correspondingly give the stockholder ultimately the benefit of corporate losses.

What, if any, objections can be advanced to this solution of the problem?

One objection is that since it involves an increase in the tax rate on a part of some capital gains, it is subject to the argument advanced against general taxation of capital gains, namely that it constitutes a deterrent to selling on a rising market and thus tends to accentuate the swings in security prices.

This objection admittedly has some validity, although it has probably been overemphasized. To some degree the desire to avoid the payment of tax is without rational basis for the tax probably must be paid sooner or later if the profit is to be taken, but under certain circumstances the imposition of a tax on capital gains undoubtedly is a justifiable reason for postponing selling. However, since no tax program can be devised which is perfect, this disadvantage must be weighed against the other advantages of the proposal.

Another argument against taxing capital gains generally as ordinary income is that since justice would then require capital losses to be deductible from ordinary income, the Government's revenues would fluctuate widely and be increased in boom periods and be decreased in depression periods. Nevertheless within limits this result is not undesirable. Boom periods are the very time when the Government should endeavor to increase the yield from taxes and reduce its debt, while during depression periods it should relieve the taxpayer, thus increasing his purchasing power and thereby lessening the deflationary effects of the depression. Yet if capital losses of all types of assets were allowed as deductions from ordinary income, the yield from the income tax might in periods of depression become wholly inadequate.

However, the suggestion under consideration of limiting this treatment to that portion of the capital losses of common stocks which represents accumulated losses of corporations will have a far lesser effect in reducing revenues. Consequently it would appear that this objection to the proposal under consideration is not a very serious one.

A third objection to taxing capital gains generally is that they are affected by a change in the value of the dollar. If an asset cost $100 and is sold for $200, but the value of the dollar has been cut in half, there has been no real gain; the apparent gain is purely illusory. This difficulty might, of course, be overcome by taking into consideration changes in the value of the dollar, although the administrative problems involved in this are obvious.

There is, however, another aspect of this objection. As a result of inflation real loss occurs to holders of fixed obligations. If a bond cost $100 and is sold for $100, and if the value of the dollar is cut in half, the bondholder has really had a loss of $50. Yet it would seem impossible for any tax system to allow the deduction of such losses from ordinary income; the effect of this would probably be, even if similar gains were included, to completely disrupt Government finances during inflation periods. Any system of taxing capital gains generally would require some solution of this problem.

However, a change in the value of the dollar would not create any difficulty under the limited proposal under consideration which is applicable only to the portion of capital gains and losses on common stocks attributable to accumulated earnings or losses. Therefore it is not an objection to such proposal.

A fourth argument against the general taxation of capital gains is that they do not constitute true income. Whatever validity this argument may have with respect to the taxation of capital gains in general, it likewise would not seem applicable to the limited proposal under consideration, of taxing capital gains to the extent that they represent accumulations of income.

A fifth objection to the proposal is that under the present tax law, by holding the stock until death, the taxpayer would avoid paying the income tax on the undistributed earnings. This objection can and should be met by an amendment to the law, which perhaps for constitutional reasons might have to be part of the estate tax law, imposing a tax equal to that which the stockholder would have paid under the proposal if he had sold the stock the day before his death at a price equal to its value as determined for estate tax purposes.

Another objection is that of the practical difficulty in the annual furnishing of the necessary data by corporations to their stockholders. This is however surmountable. In the case of corporations whose fiscal year is not a calendar year or in those cases where the data would not be ready by March 1, the corporations could be required to make an estimate which would be final as far as the stockholder was concerned and any error in such estimate would be added as an adjustment to next year's figure. Likewise, in the case of the ordinary corporation, any correction of income made by the Treasury Department upon audit would be added as an adjustment to the next figures reported to stockholders. In this way the stockholder's task would be simplified although some minor injustices might result.

There is a final objection that the proposal does not produce complete tax equality and permits undistributed earnings in part to escape individual income taxes. This is true. One way in which this might happen would be that stockholders might hold stock appreciating in value for many years, perhaps until their death, and thus by postponing the payment of the tax in effect be borrowing money from the Government without paying interest. It would be obviously impracticable to work out any method of payment of interest, but it should be noted that this advantage would be offset in such a situation by the fact that the stockholder would presumably pay higher rates if he waited to take his profit all in one year. Another situation in which complete tax equality would not be attained would be that of a stockholder who sold his stock for a profit less than the accumulated earnings upon his shares, and thus completely escaped taxation upon a part of such earnings. This could be avoided by taxing the accumulated earnings when the stock was sold irrespective of the amount or even existence of profit, but such a suggestion is open to other objections, including that of unduly complicating the individual's income tax return.

However, no solution to the problem of undistributed corporate earnings is perfect, and the solution proposed would appear not only preferable to any other suggested alternative, but also far preferable to the present method of corporate taxation which, apart from Section 102, makes no attempt ever to tax undistributed earnings as ordinary income to the stockholder.

The first two planks in the suggested program would thus appear together to constitute a method of achieving the maximum tax equality which is practicable between stockholders of corporations and other recipients of income.

III.

The reduction of individual income tax rates in the higher brackets.

Income tax rates in the higher brackets have reached the height where they materially reduce the incentive to work. If mankind was actuated entirely by unselfish motives and was not influenced by the rewards for activity, this would not be the case. At the present stage of man's development, even though selfish motives are only a part of the considerations which activate him, as is shown by the example of the dollar-a-year men working for the Government during wartime nevertheless the inducement of financial reward is a material factor in bringing forth his greatest energies. When income tax rates reach 93% at $200,000, the inducement to further activity has been for all practical purposes eliminated.

If the two proposals suggested are adopted, they will result in more income being brought into the higher brackets, which will thus increase the effect of the existing rates in destroying the incentive to further activity. Consequently the necessity of reducing rates in the higher brackets will be increased.

How can one decide what the exact rates should be? When progressive taxation, as contrasted to proportional taxation, was first suggested, it was opposed by most economists. M'Culloch expressed the early 19th century view when he wrote:

> "When you abandon the plain principle of proportion you are at sea without rudder and compass, and there is no amount of injustice that you may not commit."[8]

The principle of progressive taxation is now universally accepted as justified by the doctrine of ability to pay, but no formula has been found for fixing the rates. Professor Seligman states:

> "While the usual arguments advanced against progressive taxation are almost entirely destitute of foundation, it is not a simple matter to decide how far or in what manner the principle of progression ought to be actually carried out in practice. Theory itself cannot determine any definite scale of progression whatever."[9]

Since there is no exact method of determining what the progressive rates should be, a decision must therefore be reached by attempting to balance the need of revenues, the principle of ability

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[7] George O. May, Twenty-Five Years of Accounting Responsibility (1936) Vol. II, page 156.

[8] Quoted in Sir Josiah Stamp, The Fundamental Principles of Taxation (1936) at page 40.

[9] Edwin R. A. Seligman, The Income Tax (1914), page 33.

(Continued on page 910)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 894)

back to await developments. If 27 seems small pickings and you want to hold on, then don't forget that 24 represents a level stock should not break. If it does, get out. Otherwise, an approximate one-point loss may stretch to four or five points.

* * *

Two weeks ago I suggested switching Armstrong Cork to American Car & Foundry. The former was gotten out of approximately even (not including commissions and taxes). The latter, recommended between 33 and 34 hovers between 35 and 36. If the trend stock shows continues, it can rally to above 38 before it meets any serious resistance. But with the market dogging it, 37 is the figure more likely to stop it. So, advice continues not to chase Car & Foundry. If a minor setback brings it down to 33-34, climb aboard. Remember, though, that its stop at 33 is a close one. If it breaks it, get out.

* * *

J. I. Case is in a similar market position as the foregoing stock, even though it is part of an entirely different group. Stock now between 35 and 36 looks attractive but effect of general market cannot be overlooked. So keep buying order at 32 with a stop at 31. With Case's usual swings you'll probably get the stock sooner than you think.

* * *

Kroger is gradually building up for some kind of an advance if general market doesn't pull it back. But, in any case, a minor reaction is indicated first, hence buying advice at 32 with a stop at 31. Of course, between Case and Kroger there is a wide difference. For even if their prices are the same their market habits have little in common. Former swings widely while latter is at best a creeper. If you are speculatively inclined, Case is the one you want—at a price. If wide moves scare you then Kroger, with it's $2 dividend is your baby. But whichever one you choose wait for a price. Don't chase them.

* * *

Two weeks ago I recommended United Air Lines between 23 and 24. The same week stock ran up across 26. Currently it is 26½. I know how difficult it is to sit by and watch a stock you like run away from you. But if you can't control yourself you have no business in the market. More money is lost in chasing stocks than is realized. Not so much in the buying but in the selling. Air Lines, for example, has a stop at 22. If you buy it at, say, 26 you are faced with a four-point loss before technical signals tell you to get out. True, even if you buy it between 23 and 24 you will still face a one to two-point loss in case stock breaks its 22 figure. But that's 50% less already.

* * *

So far as general market action is concerned, the condition that existed last week is still in effect. Offerings overhead tend to push stocks down and bidders don't seem interested in buying except at their own prices. How long this condition will exist next week's market may tell. So far, market isn't saying a thing.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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A Post-War Program for Taxation of Corporations And Stockholders

(Continued from page 909)

to pay, and the importance of retaining incentives to activity. Obviously in balancing these diverse factors, different individuals will reach different conclusions. To the writer peace-time income tax rates graduated progressively up to a maximum of around 50% in the top bracket would appear to constitute a reasonable solution. The constitutional amendment now being advocated limiting such maximum to 25% would appear to be going too far.

IV.

A reduction in individual income tax rates on income from new risky enterprises.

Even if income tax rates are reduced as suggested, so as to increase the financial incentive for the individual to work and thereby earn and save, there still remains another problem, namely, that of promoting investment in risky enterprises.

One result of progressive taxation which is not commonly appreciated is that even in the lower brackets it tends to deter risk-taking by in effect changing the gambling odds. Inasmuch as the first two proposals made above would result in subjecting to progressive taxation corporate earnings now not subject thereto, the impact of progressive taxation would thus be increased and this problem rendered more acute.

Suppose, for example, that an investor estimates that with an equal investment he has one-tenth the chance of succeeding in venture A where success will bring him $50,000 income in one year, as in venture B where success will bring only $5,000 income in one year. The two ventures thus appear to him equally attractive apart from the income tax. Under the income tax at present rates, however, assuming that his other net income is $10,000, the return from the risky venture A will be cut to $16,680, whereas the return from the comparatively safe venture B will be cut to $2,690. The risky venture insead of bringing in ten times as much as the other if successful, will then bring in only six times as much.

Obviously this change in the odds will result in the investor preferring the less risky venture. In view of the importance of the development of new kinds of industries both in furnishing employment and in stimulating the economy as a whole, this result is most undesirable.

Accordingly, it is suggested that a provision be inserted in the tax law whereby investments in the form of common stock in new risky enterprises should, for a period of time, be granted preferential tax treatment. The working out of the details of such a proposal would involve decisions as to three matters:

First, what is to be the test of a risky enterprise. It would not include all new investment; the construction of a new plant to increase the capacity of a company with an established business, such as a public utility, should not come within the test. The most practical solution would appear to be to define a risky enterprise in general terms and then to provide for an application to the Treasury Department in advance for a ruling in each particular case, which, when made, would determine the matter finally.

The second question is the length of time for which preferential treatment should be granted. A minimum period of five years and a maximum of ten years is suggested as reasonable.

The third question to be decided is the extent to which preferential treatment should be given. It is suggested that one-half of the dividends paid during the preferential period, together with the same percentage of capital gains, be free from income tax. This mechanism would be the simplest from the point of view of the taxpayer in preparing his return.

The degree of preferential treatment above set forth is merely a suggestion and it might well be considered desirable to grant a greater preference in order to reduce the deterrent effects of progressive tax rates on new risky investments.

Would it be desirable to go further and stimulate not merely risky investments but also all new investments or even possibly all savings? The first could be accomplished by extending the preferential treatment to all new investments, and the second could be accomplished by, in addition, reducing the income tax on that portion of the income which is saved, which is the same thing as levying a higher tax on that portion of the income which is spent.

Such a program, it will be noted, is the opposite of the provision in our tax law, just repealed, which granted to a very limited extent a preference to so-called earned income, and is likewise opposed to the views of those who advocated the 1936 undistributed profits tax on the ground that it would tend to decrease corporate savings and put more money into the hands of stockholders for the purchase of consumption goods.

While during wartime conditions such a program would be desirable, for the post-war period it would not seem wise to adopt it at the present stage of our economic knowledge, for there is too wide a difference of opinion among economists as to whether or not the United States has reached a stage in its economic development where savings are already accumulating too rapidly or, in the alternative, where productive capacity is already being increased too rapidly through new investments. To the writer it appears that, at least as to productive capacity, further increase is desirable and that general overproduction can never exist. However more study of these difficult questions seems necessary before a decision can be reached as to whether or not taxation should be used to promote or retard savings or investment beyond that involved in the preference to risky investments. The dangers of making the wrong decision because of insufficient knowledge make caution a preferable course.

Even without granting any preferential treatment to savings, the adoption of the third proposal above set forth, namely the reduction of rates in the higher brackets, would of itself increase the incentive to save, and the first proposal of reducing corporate income taxes to 5% might tend to increase corporate savings.

Conclusion

The four proposals above set forth constitute an integrated program consisting of the substantial abolition of corporate taxes and the changes in our tax laws made necessary thereby. They do not purport to cover the entire field of possible changes in our Federal income tax laws. The difficult question of taxation of capital gains generally has only been discussed incidentally without attempting to formulate a program. Many other important matters have not even been mentioned, such as the exemption from Federal income taxation of state and municipal bonds issued hereafter. Obviously these subjects cannot be dealt with within the limits of this paper.

Furthermore the above program is, as has been stated at the beginning, proposed for adoption only after the war has been won and when the productive energies of our country will again be turned back to the manufacture of articles of peace instead of munitions of war. When that time comes it would be desirable that the program should be adopted in its entirety rather than in gradual steps. Whether that will be possible however depends upon the conditions which will then exist, such as the extent of our Federal debt, the size of our national income, etc. No one can today prophesy what these will be.

Finally, as already recognized, the suggested program is subject to various objections, some of considerable weight. This is, however, unavoidable in any tax program. As has been so aptly expressed in the much quoted paraphrase of Pope's couplet:

> "Whoever hopes a faultless
> tax to see,
> Hopes what ne'er was, or is,
> or e'er shall be." [10]

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[10] Quoted in Stamp, *supra*, page 215.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 21, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable April 25, 1944, to stockholders of record at the close of business on April 10, 1944; also $1.25 a share, as the first "interim" dividend for 1944, on the outstanding Common Stock, payable March 14, 1944, to stockholders of record at the close of business on February 28, 1944.

W. F. RASKOB, *Secretary*

THE FLINTKOTE COMPANY

30 Rockefeller Plaza
New York, N. Y.
March 1, 1944

Preferred Stock

A quarterly dividend of $1.125 per share has been declared on the $4.50 Cumulative Preferred Stock of this corporation issued and outstanding, payable on March 15, 1944 to stockholders of record at the close of business March 9, 1944. Checks will be mailed.

Common Stock

A dividend of $.15 per share has been declared on the Common Stock of this corporation issued and outstanding, payable on March 15, 1944 to stockholders of record at the close of business March 9, 1944. Checks will be mailed.

CLIFTON W. GREGG, *Treasurer*

LIQUIDATION NOTICE

The First National Bank located at Butte in the State of Nebraska is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment.

ED. S. DONAHUE, President.

Dated December 2, 1943.

Sentenced For Fraud; Three Acquitted

Frank L. Miller, New York attorney, was found guilty by a jury in United States District Court on a three-count indictment for the interstate transportation and sale of $40,000 in stolen bonds and for conspiracy.

Joseph W. Grober, a promoter of London, and Russell Safferson and Sigmund Saxe, partners in the securities firm of Biel, Russell & Saxe, 60 Broad Street, New York City, three co-defendants, were acquitted by the same jury after almost five hours of deliberations.

Nine other defendants who had previously pleaded guilty to the same indictments, are to be sentenced on March 8th. Maximum penalty is 30 years imprisonment.

ICC On 1943 Rail Results

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have issued an interesting circular covering ICC comment on 1943 rail results. Copies of this circular may be had upon request from Vilas & Hickey.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 152
Common Dividend No. 136

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1944, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1944, to holders of record March 9, 1944. The stock transfer books will remain open.

J. P. TREADWELL, JR.
February 23, 1944 *Secretary*

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of two per cent. (fifty cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for the year 1943, was declared payable, in Canadian funds, March 31, 1944, to Shareholders of record at 3 p.m. on March 1, 1944.

By order of the Board.

FREDERICK BRAMLEY, *Secretary*

Montreal, February 14, 1944.

Allied Chemical & Dye Corporation

61 Broadway, New York

February 29, 1944

Allied Chemical & Dye Corporation has declared quarterly dividend No. 92 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable March 20, 1944, to common stockholders of record at the close of business March 10, 1944.

W. C. KING, *Secretary*

American Manufacturing Company

NOBLE AND WEST STREETS
BROOKLYN, NEW YORK

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company. Both payable April 1, 1944 to stockholders of record at the close of business March 13, 1944. The stock record books will be closed for the purpose of transfer of stock at the close of business March 13, 1944 until April 1, 1944.

ROBERT B. BROWN, Treasurer.

ANACONDA COPPER MINING CO.

25 Broadway,
New York 4, N. Y., February 24, 1944

DIVIDEND NO. 143

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50 per share, payable March 27, 1944, to holders of such shares of record at the close of business at 3 o'clock P. M., on March 7, 1944.

JAS. DICKSON, Secretary & Treasurer.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 47

A dividend of twenty cents ($0.20) per share will be paid on March 22, 1944, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business March 11, 1944. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary

Boston, Feb. 24, 1944

THE TEXAS COMPANY

166th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on April 1, 1944, to stockholders of record as shown by the books of the company at the close of business on March 3, 1944. The stock transfer books will remain open.

L. H. LINDEMAN
February 16, 1944 *Treasurer*

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 32

At a meeting of the Board of Directors held February 28, 1944, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable May 1, 1944, to stockholders of record at the close of business April 5, 1944. Checks will be mailed.

W. M. O'CONNOR
February 28, 1944 *Secretary*

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 60 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable April 1, 1944, to stockholders of record at the close of business March 10, 1944. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*

February 24, 1944

The Board of Directors of the

CONSOLIDATION COAL COMPANY

(Incorporated in Delaware)

has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on April 1, 1944, to stockholders of record at the close of business on March 11, 1944. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer

February 29, 1944

THE ELECTRIC STORAGE BATTERY CO.

The Directors have declared from the Accumulated Surplus of the Company a dividend of Fifty Cents ($.50) per share on the Common Stock, payable March 31, 1944, to stockholders of record at the close of business on March 10, 1944. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer.*

Philadelphia, February 18, 1944.

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N. Y.

February 18, 1944.

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of twenty-five cents (25c) a share have today been declared by Kennecott Copper Corporation, payable on March 31, 1944, to stockholders of record at the close of business on February 28, 1944.

A. S. CHEROUNY, Secretary.

SOUTHERN RAILWAY COMPANY

New York, February 29, 1944.

A dividend of Two Dollars ($2.00) per share on 1,298,200 shares of Common Stock of Southern Railway Company, without par value, has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1943, payable on Saturday, April 1, 1944, to stockholders of record at the close of business Saturday, March 11, 1944.

Checks in payment of this dividend will be mailed to all stockholders of record at the addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY,
Vice President and Secretary.

GUARANTY TRUST COMPANY OF NEW YORK

New York, March 1, 1944.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending March 31, 1944, payable on April 1, 1944, to stockholders of record March 8, 1944.

MATTHEW T. MURRAY, Jr., Secretary.

The Chesapeake and Ohio Railway Co.

A dividend for the first quarter of 1944 of seventy-five cents per share on $25 par common stock will be paid April 1, 1944, to stockholders of record at close of business March 8, 1944. Transfer books will not close.

H. F. Lohmeyer, Secretary

The Securities Salesman's Corner

WHO WANTS TO WORK FOR GLORY?

The Effect Of The NASD 5% Rule On The Sale Of Low Priced Stocks

Last week, a dealer who has established a clientele composed largely of smaller investors, told us of his experience operating under the new 5% ruling. It's a classic illustration of the absurdity of trying to regulate profits for every type of security and all classes of dealers under one blanket arrangement.

Whether it is generally realized or not, there are a number of low-priced stocks that no only offer outstanding investment opportunities, but are also the perfect type of investment for the smaller securities buyer with limited funds available.

For instance, take the case of an investor with limited funds. He can buy 50 or 100 shares of a stock selling between 5 and 10 and thereby increase the diversification in his small list by investing in several of these issues, meanwhile he has the satisfaction of owning little round lots of securities rather than only a few shares of higher-priced issues. There may be some who would say that this is ridiculous—the small investor can buy 5 shares of General Motors or 3 shares of DuPont just as well as he can 100 shares of a lower-priced issue. The facts are, however, that he doesn't do it. Only occasionally will you find the smaller investor who buys odd lots of 5 shares or less of anything. There are a few who do this—they are in the vast minority among smaller investors.

This dealer has had an experience in security analysis that goes much farther than just looking in the quotation sheets and selecting some low-priced issue at random and then making an offering to his clients. In this case he had established contacts in the textile industry among practical textile men that were invaluable as an aid IN GETTING BEHIND THE FIGURES OF THE BALANCE SHEET AND INCOME ACCOUNT. One of these friends in the industry brought him a special situation. He received confidential figures three weeks before the publication of the annual statement which indicated that a certain stock selling at $5 per share was grossly undervalued. Based upon net quick assets of about $11 per share, current ratio of 7 to 1, income yield of about 20% in the prior year and an expected return of almost as good in the coming 12 months despite much higher taxes, management excellent, industry outlook good, condition of plan A1, trade acceptance high, and floating supply of stock small—this dealer after a thorough check-up of his own decided he had something worthwhile to offer his clients.

Since this dealer was intelligent enough to know that you can't get something for nothing, he readily accepted his textile friend's suggestion that he pay him a small finder's fee on each share he sold to his clients. Good information is worth money to a dealer—his clients should also know it. Incidentally, this is something the SEC and the Board of Governors of the NASD should recognize. Some of those who make and disseminate rulings under which the investment business is now laboring do not realize the value of the time and effort required to properly serve the investor.

But to go on—let's see what happened to this dealer when he went out to sell this stock to his clients. He bought 100 shares at 5. He marked it up to 5¼ under the rule. (Quoted market was 4¾-5.) His gross on this 100 shares was therefore $25. Now let's look at his expenses BEFORE HE STARTED TO FIGURE HIS REGULAR OVERHEAD AND ALLOW FOR HIS PROFIT. Taxes were $3.40 (State and Federal); clearance charges $1.50; finder's fee was 1/16th, or $6.25, which leaves a GROSS PROFIT OF $13.85.

This dealer has two salesmen who work on a 50% basis. One-half of $13.85, as is obvious, is BEAN-BAG MONEY. How can a salesman be expected to work for such a commission? How can a dealer be expected to stay in business on such a profit? How can he advertise, pay rent, telephone, take the manuals and services, hire office help, carry insurance, afford traveling expenses and entertainment for customers on this meager mark-up?

If the smaller investor doesn't get service, AND HE WON'T GET IT IF DEALERS WHO HAVE FORMERLY SUPPLIED IT ARE NOT ALLOWED TO EXIST, THEN HE WILL JUST DROP OUT OF THE PICTURE. THE SEC SHOULD STEP INTO THIS NASD RULING AND BRING SOME SEMBLANCE OF COMMON SENSE AND SANITY INTO THE BOARD OF GOVERNORS' REGULATORY ACTION. IF THE SEC IS DERELICT, THE KEY MEN IN CONGRESS SHOULD GET THIS WHOLE STORY AND COMPEL COMPLIANCE WITH THE PROVISIONS OF THE MALONEY ACT WHICH THE PROMULGATION OF THIS RULE VIOLATES IN THE MOST HIGH-HANDED AND CONTEMPTUOUS MANNER.

Bank Investment Policy And National Fiscal Requirements

(Continued from page 892)

Also, Europe will be in ruins and chaos, and credits with which to finance foreign trade and reconstruction may be forthcoming more slowly and in smaller amount than anticipated in some circles. Under such circumstances, production and employment could be disappointing and deficit-financing inevitable.

Commercial bank holdings of U. S. Government obligations, direct and fully guaranteed, as of Oct. 31, 1943, reached an all-time high of $62,600,000,000. On that date they represented about 50% of bank assets. This total also amounted to 37% of the national debt then outstanding. Some idea of the increasing importance of United States Government bond investments to total bank assets and the national debt is indicated in the accompanying table. Federal securities, it may be observed, now constitute 50% of all bank resources as against only 25% in 1939.

ALL COMMERCIAL BANKS

Year Ending June 30	U. S. Government Securities Direct and Fully Guaranteed	Total Bank Assets	U. S. Government Securities to Total Bank Assets	Total Federal Debt Direct and Fully Guaranteed	U. S. Government Debt in Commercial Banks
1939	$15,316,000,000	$61,027,000,000	25.1%	$45,890,000,000	33.4%
1940	16,549,000,000	73,393,000,000	22.5	48,466,000,000	34.1
1942	26,415,000,000	80,409,000,000	32.9	76,970,000,000	34.4
1943	52,604,000,000	104,634,000,000	50.3	140,788,000,000	37.4
1943 (Oct.)	62,600,000,000	*		169,160,000,000	37.0

*Data relating to total bank assets as of Oct. 31, 1943 is unavailable.

Commercial bank investment policy is irrevocably tied up with national fiscal policy and commercial banks appear destined to continue their present role as "Government bond investment trusts." When 1944 ends, their Federal security portfolios may easily exceed $80 billion.

Calendar Of New Security Flotations

OFFERINGS

FLORIDA POWER CORP.

Florida Power Corp. has registered $16,500,000 first mortgage bonds series due Jan. 1, 1974. Interest rate will be supplied by amendment.

Address—101 Fifth Street, South, St. Petersburg, Fla.

Business—Public utility operating wholly within the State of Florida, except for transmission line connecting with the transmission facilities of Georgia Power Co.

Underwriting—To be supplied by post-effective amendment.

Offering—Price to the public to be supplied by amendment. Company will invite bids for the purchase of bonds from it under the competitive bidding requirements of the Commission's Rule U-50. Successful bidder will name the interest rate.

Proceeds—Company also proposes to sell privately to John Hancock Mutual Life Insurance Co. of Boston $4,000,000 face amount of 3¼% serial debentures. Proceeds from sale of bonds and serial debentures, together with other funds of the company to the extent required, will be applied as follows: To the redemption of the following securities: $11,000,000 Florida Power Corp. first mortgage 4s, Series C, due Dec. 1, 1966, at 104%; $5,148,400 Florida Public Service Co. first mortgage 4s, Series C, due 1955, at 102.90; $1,622,000 Florida Power 3½% serial debentures and $2,300,000 Florida Public Service 4½% serial debentures and for other purposes $730,451. On Jan. 14, 1944, Florida Public Service Co. and Sanford Gas Co., affiliated companies, and Sante Fe Land Co., a subsidiary, were merged into Florida Power Corp. as the continuing corporation. Company is controlled by General Gas & Electric Corp., which is part of the Associated Gas & Electric Corp. system.

Registration Statement No. 2-5293. Form A-2 (1-24-44).

Registration statement effective 1 p.m. EWT on Feb. 16, 1944.

Awarded to Kidder, Peabody & Co. and associates as 3⅜s on bid of 103.7799.

Offered Feb. 25 at 104.8257 and int. by Kidder, Peabody & Co., White, Weld & Co., Shields & Co., Harris, Hall & Co. (Inc.), Lee Higginson Corp., F. S. Moseley & Co., Equitable Securities Corp., Hallgarten & Co., Laurence M. Marks & Co., L. F. Rothschild & Co., Alex. Brown & Sons, Stroud & Co., Inc., Auchincloss, Parker & Redpath, R. L. Day & Co., Putnam & Co., and Dean Witter & Co.

FOOD FAIR STORES, INC.

Food Fair Stores, Inc., filed a registration statement for $3,500,000 15-year 3½% sinking fund debentures, due Feb. 1, 1959.

Address—2223 East Allegheny Avenue, Philadelphia, Pa.

Business—Operates supermarkets engaged in the retail sale of groceries, meats, meat products, vegetables, etc.

Underwriting—Eastman, Dillon & Co., New York, head the underwriting group, with names of others to be supplied by amendment.

Offering—Price to the public will be 102.

Proceeds — To the payment of outstanding bank notes of $3,150,000, with prepayment premium and accrued interest, and to increase working capital.

Registration Statement No. 2-5280. Form S-1. (12-24-43.)

Registration statement effective 5:30 p.m. EWT on Feb. 23, 1944.

Offered Feb. 24, 1944, at 102 and int. by Eastman, Dillon & Co., A. G. Becker & Co., Inc., Central Republic Co., Inc., The First Boston Corp., Hemphill, Noyes & Co., Kebbon, McCormick & Co., McDonald-Coolidge & Co., Piper, Jaffray & Hopwood, E. H. Rollins & Sons, Inc., Smith, Barney & Co., and Stroud & Co., Inc.

HOUSTON LIGHTING & POWER CO.

Houston Lighting & Power Co. has filed a registration statement for 112,264 shares of $4 preferred stock and 47,513 shares of common stock, both stocks without nominal or par value.

Address — 900 Fannin Street, Houston, Texas.

Business—Principally an operating electric utility company.

Underwriting — Smith, Barney & Co., Lazard Freres & Co., and Blyth & Co., Inc. all of New York, are underwriters of 60,000 shares of the $4 preferred stock. The balance of the preferred and the common stock which is being offered in exchange to holders of presently outstanding preferred stock, is not being underwritten.

Offering — The company will offer to each holder of its 7% preferred and $6 preferred stocks the following options as to any part or all of such holdings: To exchange such preferred stock for $4 preferred on the basis of 1 1/10 shares of $4 preferred for each share of 7% preferred or $6 preferred stock—(b) to exchange such preferred stock for $4 preferred stock and common stock on the basis of one-half share of preferred and one share of common stock for each share of such preferred. The offering price of the $4 preferred stock to the public will be supplied by amendment.

Proceeds—Net proceeds from the sale of 50,000 shares of $4 preferred will be added to working capital (in part to replenish the company's treasury for cash used for construction), and no part of such proceeds will be used for redemption of any of the company's 7% or $6 preferred stock. Net proceeds from sale of remaining 10,000 shares of $4 preferred sold to the underwriters will be set aside by the company in the first instance for use in the redemption or retirement of its 7% and $6 preferred stocks and in making necessary cash adjustments with exchanging stockholders. Any balance will be added to working capital.

Registration Statement No. 2-5307. Form A-2. (2-18-44).

Offered March 1, 1944, at $102 per share by Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc.

MAJESTIC RADIO & TELEVISION CORPORATION

Majestic Radio & Television Corporation has filed a registration statement for 70,925 shares of common stock, one cent par value. The shares of stock to be offered are already issued and outstanding

Address—2600 West 50th Street, Chicago.

Business—Production and sale of radio receiving sets. Present production consists of radio and electronic equipment, manufactured for the Army and Navy.

Underwriting—Jenks, Kirkland & Co. and Kobbe, Gearhart & Co., Inc., may be underwriters.

Offering—Price to the public is $3.75 a share, and net proceeds to the selling stockholders $3.125 per share. Names of selling stockholders and amounts to be sold by them are: Edward F. Barile, 500; Mrs. Cora Casagrande, 5,000; Dudley E. Foster, 1,000; Mrs. Margaret Foster, 980; Mrs. Florence Freese, 1,000; Joseph J. Neri, 500; Mrs. Marie L. Tracey, 56,945, and Mrs. Janet M. Van Meter, 5,000.

Proceeds—All will be received by the selling stockholders.

Registration Statement No. 2-5264. Form S-1. (12-1-43.)

Offered Feb. 29 at $3.375 per share by Kobbe, Gearhart & Co., Inc.

NORTHERN STATES POWER CO. (MINNESOTA)

Northern States Power Co. (Minnesota) has filed a registration statement for $5,000,000 first mortgage bonds, series due Feb. 1, 1974.

Address—15 South Fifth Street, Minneapolis, Minn.

Business—Operating public utility company and is also a registered public utility holding company.

Underwriting—To be filed by post-effective amendment.

Offering—Price to the public to be filed by amendment. Company proposes to offer the bonds for sale pursuant to the competitive bidding requirements of Commission's Rule U-50. Company also proposes to issue and sell to banks $4,000,000 face amount of its serial notes.

Proceeds—Will be used to pay the $4,999,000 face amount of St. Paul Gas Light Co. general mortgage gold bonds, 5% assumed by Northern States which mature on March 1, 1944, and the $4,000,000 face amount of promissory notes of the company dated June 14, 1943, which mature on Feb. 28, 1944.

Registration Statement No. 2-5290. Form A-2. (1-21-44.)

Registration statement effective 5 p.m. EWT on Feb. 9, 1944.

Bonds awarded Feb. 21 to Lehman Brothers as 2¾s on bid of 100.0699.

Offered Feb. 24, 1944 at 101 and int. by Lehman Brothers and Associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

THURSDAY, MARCH 2

REPUBLIC INVESTORS FUND, INC.

Republic Investors Fund, Inc., has registered 300,000 shares of common stock, par value $1 per share.

Address—40 Exchange Place, New York, N. Y.

Business—Management leverage investment company.

Underwriting—W. R. Bull Management Co., Inc., is named principal underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5305. Form A-2. (2-12-44).

MONDAY, MARCH 6

MASSACHUSETTS INVESTORS TRUST

Massachusetts Investors Trust has filed a registration statement for 866,368 shares of beneficial interest.

Address—19 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Massachusetts Distributors, Inc., is named principal underwriter.

Offering — Date of proposed offering April 1, 1944. At market.

Proceeds—For investment.

Registration Statement No. 2-5306. Form A-1. (2-16-44).

WEDNESDAY, MARCH 8

AMERICAN CASUALTY CO. OF READING, PENNA.

American Casualty Co. of Reading, Penna., has filed a registration statement for 100,000 shares of capital stock, par value $5 per share.

Address—607 Washington St., Reading, Pa.

Business—Multiple line casualty company. Conducts a general casualty insurance business.

Underwriting—None reported.

Offering—The 100,000 shares of capital stock are being offered by the company at $11 per share to stockholders on the basis of one-half of a new share for each share held. The new stock will be offered to stockholders of record March 10, 1944. The stock purchase warrants are to be exercisable for a period of 30 days after issuance, but, at all events, until at least April 20, 1944.

Proceeds — Proceeds to company from proposed offering is $1,100,000. The purpose of the financing is to increase the capital and surplus of the company to enable it to, (1) meet the capital requirements for admission to transact business in all of the states and territories of the United States; (2) organize or acquire a stock fire insurance company, and (3) retain a larger portion of its business without resorting to reinsurance.

Registration Statement No. 2-5308. Form S-1. (2-18-44).

Dates of Offering Undetermined

BEN-HUR PRODUCTS, INC.

Ben-Hur Products, Inc., has filed a registration statement for $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951, and 11,400 prior preferred shares, for the purposes of such conversion.

Address—800-812 Traction Avenue, Los Angeles, Cal.

Business—Engaged in business of processing and marketing at wholesale of coffee, tea, extracts, prepared mustard and spices.

Underwriting—Pacific Company of California, and Wyeth & Co., both of Los Angeles, are named underwriters, each having agreed to purchase $150,000 of the debentures at 92½%, or a total amount of $277,500.

Offering—Price to publc, 100.

Proceeds—To retire bank loans and working capital.

Registration Statement No. 2-5273. Form S-1. (12-20-43.) Statement originally filed in San Francisco.

Amendment filed Feb. 15, 1944, to defer effective date.

(This list is incomplete this week)

Canadian Situation Has Interesting Possibilities

Wood, Gundy & Co., Inc., 14 Wall St., New York City, have issued a new circular discussing the interesting possibilities of Province of Ontario. Copies of this circular may be had upon request from Wood, Gundy & Co., Inc.

Du Mont Lab. Attractive

The current situation in Du Mont Laboratories offers attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Sage Co. To Admit

Robert H. Muller will be admitted to partnership in Sage & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on March 9th.

On the same date James M. Grady, a partner in the firm will acquire the Exchange membership of the late Otto H. Gruner.

White Motor Interesting

White Motor offers an interesting situation, according to a memorandum distributed by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this circular may be obtained from Ira Haupt & Co. upon request.

Now Shaw McDermott & Co.

DES MOINES, IOWA — James C. Shaw and Owen P. McDermott announce the formation of Shaw McDermott & Co., with offices in the Liberty Building, as successors to Shaw, McDermott & Sparks, Inc. The firm will specialize in municipal bonds.

HAnover 2-0050 Teletype—N. Y. 1-971
Firm Trading Markets
CUBAN & SUGAR SECURITIES
all issues
CARL MARKS & CO. INC.
FOREIGN SECURITIES
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"Our Reporter On Governments"

By E. P. TEE

Biggest news to Government bond dealers since our entry into the war was the announcement late Monday by the Treasury that it would refund through an exchange offer $4,730,000,000 outstanding obligations. . . .

Details of the security to be offered present holders and the method of adjusting interest are to be made public today. . . . In the meantime speculation ranges all the way from a 1⅜% note to a 1¾% short bond. . . . But the big news is that the Treasury has reestablished "rights" on its refunding operations. . . . This was a familiar pre-war device that has been absent since Pearl Harbor. . . . Many dealers have felt that the day of "rights" was gone forever, in view of the enormous amount of Government debt outstanding and the relative shortness of maturity on a good portion of these obligations requiring frequent refundings. . . .

However, the tip-off came on the Treasury's refunding of the Feb. 1 certificate issue, which fell due in the middle of the Fourth War Loan drive. . . . This was exchanged for a 0.90% 13 months issue—not much improvement, but an indication that a little sweetening would be injected where necessary to insure a quick, successful operation. . . .

The present operation is the Treasury's biggest maturity problem of the year. . . . It will be made sufficiently attractive to go over big. . . . Once these maturities are out of the way there are no issues due before September, when about $900,000,000 notes mature and then again in December, when $1,037,000,000 of 4% bonds will be called. . . . Bills and certificates that mature at regular intervals will be rolled-over as indicated by Monday's announcement which excluded mention of the $5,250,000,000 certificates due April 1. . . . Expect a separate offering on these during the latter part of this month. . . .

GUESSING CONTEST INTENSIFIED

The Treasury's announcement has intensified the guessing contest of the past few weeks, as to what the exchange offer will be. . . . There are few maturities in 1947, 1948 or 1949, years which the Treasury apparently has kept open for its refundings. . . . If you can guess which year will be selected for the present exchange offer, you can come close to naming the coupon rate. . . .

Best informed opinion in the "street" favors a 1½% note running for four and a half years, or to about Sept., 1948. . . . This would command a fair premium and fit the circumstances. . . .

Since the commercial banks own the bulk of the called issues, since the Treasury has indicated that it wants banks to stay within the ten-year maturity range, since banks agree with this reasoning and since the longer section of the market is pretty well crowded and any offering out here would be just too attractive, it is a safe bet that whatever is offered will be somewhere in the 1947-49 range.

Conservative bank policy is opposed to any exchange that is too attractive, since this might lead to criticism at a later date. . . . The Treasury in the past has misjudged the market badly at times, as for example, the especially attractive offering of 1½% notes last September. . . . While the offer to be announced today is expected to be sufficiently good to insure a prompt and successful operation, also anticipated is that it will be keyed pretty closely to the market. . . . But that it will be attractive is indicated from the nominal yield basis on which issues which may be used for the exchange are now selling. . . .

It may be stated with reasonable certainty that the Government bond market over the next two weeks will offer little other excitement in the way of price movements. . . . Nevertheless, it will be watched carefully for clues to the future probable course of events. . . .

Reason for this attitude by dealers and the New York banks is the March 15 income tax payment date with a record turnover of funds in prospect. . . . These quarterly periods, always important to the Government market, are especially significant now, first, because of the huge sums involved in the transfer from private balances to Government account and secondly, due to the fact that the banking system as a whole is working with a minimum supply of excess reserves. . . .

HEAVY PAYMENT IN PROSPECT

The tax take this month will set a new record high in collections and bank deposit turnover. . . . It is difficult to estimate with any certainty just what the total will be, due to many complicating factors never before present such as the unforgiven portion of 1942 taxes and balances due above the withholding tax. . . .

But it is certain that every commercial bank in the country will temporarily lose deposits as taxpayers settle their bills. . . . These funds will flow back promptly to the banks, of course, through Treasury expenditures and moves made by the money market management to assist redistribution. . . .

In the meantime, however, commercial bankers whose buying and selling constitute the backbone of the Government bond market, must prepare for a tight situation. . . . They will be more concerned with the probable deposit turnover in their institutions than with portfolio changes or new acquisitions. . . .

Estimates of the Treasury's probable March income tax receipts range as high as $8,000,000,0000. . . . This is a tremendous figure, representing an all-time record. . . . When it is considered that only 15 months ago, at the start of the first Victory Loan, the objective was $9,000,000,000, to be raised by **borrowings**, this month's **payment** assumes even larger significance. . . . It means we have made long strides on the financial front as well as on the war front. . . .

Is this estimate too large? . . . When it is realized that the Treasury collected $5,000,000,000 in income tax payments last December, that the current payment will reflect for the first time the full impact of the 1942 Revenue Act on corporation and large individual tax liabilities, as well as final settlement of unforgiven balances the estimate does not appear unduly excessive. . . . In fact, the final figure may well be larger. . . .

MONEY MARKET MANAGEMENT

Will the banks find it necessary to liquidate securities over the next two weeks? . . . Not at all. . . . Despite the fact that we are entering this period with slim excess reserves, banks may be assured that the money market management, which has proved itself extremely capable, will provide the reserves necessary to the banking system in meeting this heavy deposit turnover. . . . This situation undoubtedly was carefully covered at the meeting in Cleveland last Monday of the presidents of the twelve regional Federal Reserve banks. . . .

The Treasury can sell upwards of $5,000,000,000 securities to the Federal Reserve banks and will doubtless use part of this privilege prior to March 15 in the form of one-day special certificates. . . . Such has been the procedure in the past. . . . This operation creates reserves and the certificates can be promptly liquidated out of the tax receipts so that the net effect is to smooth out the squeeze arising from deposit transfers to pay taxes. . . .

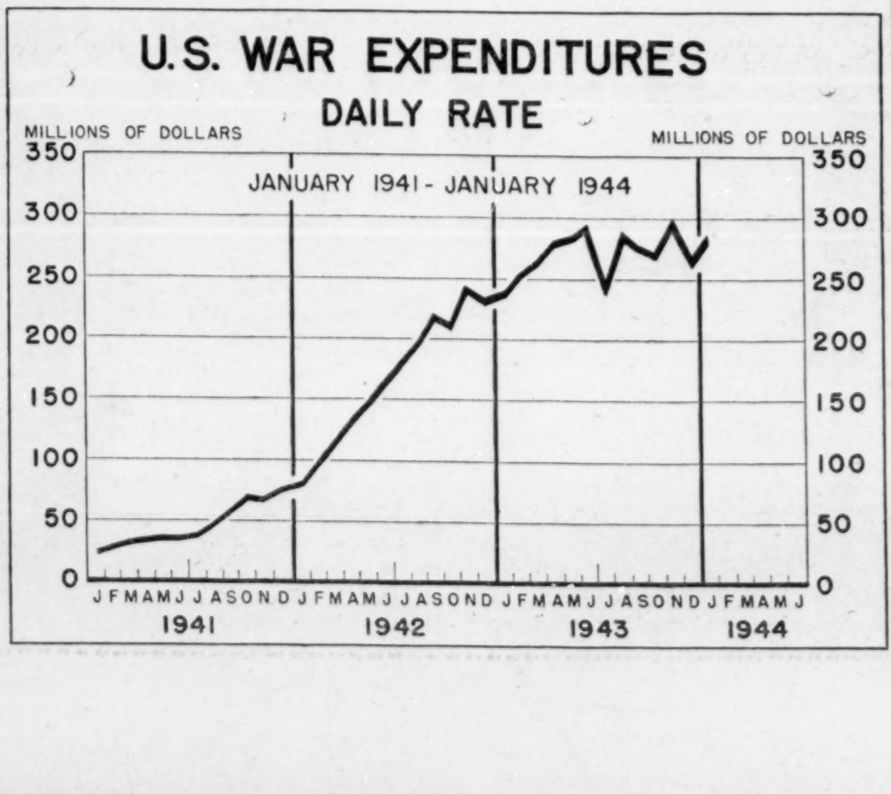
The tender of Tax Saving notes may greatly ease the amount of actual cash transfers. . . . This is another factor that cannot be determined in advance but the amount of notes turned in has been steadily increasing at each successive tax period. . . . The corporations, especially, are large holders of these obligations and their surrender for taxes will involve no deposit shift and have no effect on the banking position. . . .

This is the way the situation shapes up for the next two weeks, with the money market management having a big task ahead, but enjoying both the authority and the experience to see it through without any disturbance in the Government bond list. . . .

With over $17,000,000,000 now in War Loan account and with cash resources slated to expand substantially on March 15, the Treasury again will have a huge working balance on hand. . . . In these circumstances, the outlook favors:

1. An easing by the Treasury of calls against its balances in War Loan accounts with the banks thereby enabling the banks to hold these funds invested for a longer period with consequent improvement in earnings, and

2. Probable postponement of the next major War Bond drive now discussed for May, to not earlier than June. . . .



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The Commercial and FINANCIAL CHRONICLE

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The Financial Situation

From 1933 to 1940, when a greatly enlarged defense program got under way, New Deal deficit financing through the banks and New Deal monetary manipulation increased money supply some $25.5 billion, from $42.9 billion to $68.4 billion. These funds during those years were often spoken of by the economic managers as the Government's contribution to recovery. As such, of course, they were something of which to boast.

From 1940 to date the increase in money supply, stemming almost wholly from deficit financing of defense and war through the banks, probably approximates $62 billion, the rise being from $68 billion to $130 billion. These funds, although observed at a somewhat different stage in the economy and measured in other, and we often suspect, less suitable ways, have become known as the "inflationary gap," whose influence is sinister and whose results are to be guarded against in ways always various, and sometimes both devious and strange.

And Now "Liquid Savings"!

But as the war has approached its end—so we must all hope—another name has been found for these sums of money, and another significance attached to them. They now constitute the larger and more important part of the "liquid savings" of wartime, and are being cited by many authorities as the hope of early if not immediate prosperity when the war is over. For a time the SEC led the procession with astounding estimates of the aggregates of currency and bank deposits held by consumers. Later inquiries of a reliable sort indicated that the SEC had "gone off half-cocked," and that the increases in the money supply was in much larger degree held by business enterprises. This change in the putative identity of the holders of excess funds

(Continued on page 916)

From Washington Ahead Of The News

By CARLISLE BARGERON

It is impossible to know, since the Barkley flare-up, what is Mr. Roosevelt's own disposition regarding his future relations with Congress, and particularly with the Kentucky Senator. And it really make no difference because regardless of what he may want and not want to do, the feud will go on in increasing intensity. The forces dominating him will see to that. There may be, for a brief time, an apparency of trying to get together, of the leaders and even rank and file members being brought to the White House for dinners. But in the end they will be right back where they were in an accentuated state.

Insofar as Barkley is concerned, the same thing now is about to happen to him that happened to Jack Garner. The New Deal smear artists are out to do a job on him and these same influences are determined that Barkley and the President shan't get back together.

In the case of Garner, a story which this writer knows at first hand, Roosevelt had no more loyal lieutenant. At the beginning of the Supreme Court fight in 1937 he purposely left town and returned to Uvalde, Texas, because the "conservative" writers were trying to pit him against his chief; they were saying he and the President were in serious disagreement. Garner knew of no better way to prevent their playing him against the President than to get clean out of town. When the debacle came after Joe Robinson's death, the President wired him to join the Robinson funeral train at Little Rock and find out what were the prospects of his winning the court packing fight. After exhaustive discussions with Senators in the funeral party Garner learned what every Washington newspaperman knew and that was that the court packing jig was up. Garner so reported frankly to the President. Roosevelt thereupon accepted defeat and directed Garner to set to work repairing the party wounds. A week later, the young New Dealers with their access to columnists then playing and still playing their game, began representing Garner as having doublecrossed the President, as having misinformed him. Furthermore, they reported, the President was on to what Garner had done and had no more confidence in him. Garner let this go on for several weeks. Then he called the President and said he thought it was bad to let these representations of their relationship continue. To his amazement he learned the President believed the stories of Garner's disloyalty. From then on their coolness deepened.

(Continued on page 920)

The News Behind The News

By PAUL MALLON

Harold Ickes, the multi-job Administration handyman, has sought to soothe all financial doubts about the war debt-ridden future we are coming into by writing a piece for a magazine saying this country is worth 12 trillions of dollars.

Paul Mallon

"We are every one a Croesus!" he says (your share would be $88,888). The prospective Federal debt of 200 to 300 billions of dollars (now $145,000,000,000) he considered to be offset already by this great wealth.

Ickes' article demonstrates that he got his fabulous figure of 12 trillion dollars mainly "by having his experts in the various mining branches of his Interior Department compute the amount of coal, iron, oil they think is still in the ground." All we have to do to realize it, he suggests, is to maintain "the freedom Americans have enjoyed."

By Ickes' calculation, Russia must be the richest nation in the world—5 or 10 times as rich as the United States. She has many times more resources of lumber, coal, oil—say 50 trillions of dollars (I am saying this without any experts, but probably just as authoritatively).

But we all know Russia is not the richest nation, that, indeed, she always has been poor and one

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Plans For Post-War Currency Stabilization

By ACADEMICIAN E. VARGA

The following article is a translation from the Russian Government official organ, "War and the Working Class," published in Moscow, Dec. 1, 1943. As Chairman (since 1929) of the Institute of World Economy connected with the Communist Academy at Moscow, the author, Professor Varga, holds a distinguished position in the Soviet Union. He was born in Hungary in 1879, and became identified with the labor movement there in 1906. Ten years later he was Professor of Political Economy at Budapest University and during the Communist revolution there following the last war, became the People's Commisar of Finance and Chairman of the National Economic Council. Arriving in Moscow in 1920, he joined the Communist Party and since has been studying world economic problems. A short review of Russia's attitude toward the gold standard and international exchange stabilization, with particular reference to Professor Varga's views is given in the article by Herbert M. Bratter which also starts on this page.—Editor.

Of special interest among the post-war economic problems is the question of currency stabilization. The danger of a general depreciation of currencies similar to that which took place at the end of the first World War is quite real. At that time the currencies of all countries involved in the war, with the exception of the United States, declined in value. The exchange rates of a number of European countries — Germany, Poland, Austria, Rumania, Hungary —fell to negligible proportions. The Italian lira and the French franc retained only between one-fourth to one-fifth of their gold parity. Even the British pound sterling at times lost more than one-fourth of its gold parity.

Sharp depreciation of currencies went hand in hand with a steep increase in prices and brought about serious dislocations within the economies of the various countries as well as in international trade. Instead of calculations on a businesslike basis, uncontrolled speculation in "real values" prevailed. The depreciation of currencies meant the impoverishment of persons living on income from investments, tor-

(Continued on page 918)

USSR And Monetary Stabilization

By HERBERT M. BRATTER

Both Russia's importance in world affairs and the recent discussions in Washington between representatives of the USSR and the U. S. Treasury Department on the subject of world currency stabilization lend interest to the views of Academician Eugene Varga as presented in the official magazine, "War and the Working Class," last December. The full text of this article has only now become available in the United States. Unfortunately, the USSR Government has long been very guarded in its published statements on monetary matters, and the Varga article is therefore the only recent comment to emanate under official auspices.

Herbert M. Bratter

The sketchy descriptions of the Varga article heretofore available in this country caused it to be hailed in New York newspapers as reinforcement for the cause of the gold standard with such headlines as: "Russians for Gold Basis," and "Russia Comes Out for Gold, Making Wall Street Gasp." It is important to note that the USSR is one of the two or three leading gold producing countries of the world. It exports but does not on balance import gold, has a strictly managed currency divorced from gold at home, has had no gold in domestic circulation since 1916, and uses gold only for the purpose of acquiring foreign exchange. In short, to the USSR gold has monetary value only for the purpose of buying goods from the capitalist world and the USSR's interest in the future of gold is merely the interest of a mining country in converting its output into some useful goods. The Government of the USSR is a very realistic one when it comes to foreign trade. And secretive. How much gold Russia now produces and how much bullion the Government now holds are virtually military secrets. The only statistics available to us are guesses. The USSR's gold stock may be estimated at between one and a half and two billions of dollars. The mine production of gold is perhaps $150,000,000 per annum.

That Russia today has a large stock of gold is due not to a desire to hoard the metal, but—as the London Economist has pointed out—to American lend-lease. Possibly a more accurate index of Russia's regard for gold is to be had in a Moscow radio broadcast by Professor Bogolepov in 1940, before either the USSR or the United States were involved in the war. The broadcast was reported in a news dispatch from Riga in part as follows:

> Gold now is flowing into the United States from all over the world, and American scientists and financiers are developing headaches trying to think of a way to prevent gold from losing its value. Gold can remain

(Continued on page 920)

Inconsistent, To Say The Least!

"I recognize that the war cannot be wholly, or even nearly, paid for by current taxation. Economic incentives must be provided for workers to put forth their best efforts in hard, grueling work and for businessmen to strain every nerve to operate their businesses efficiently.

"Within these limits, however, taxes can be advanced. This should be done as rapidly as possible, because the war will not wait and risks of inflation will not wait.

"How far we are from the economic limit of Federal taxation is shown by the fact that one of the major economic problems now confronting the country is that of 'excess' consumer spending power —i.e., spending power in excess of the available supply of civilian goods at present prices.

"This 'excess' spending power is created by the excess of Federal expenditures over Federal taxes; and constitutes, on the one hand, a threat of inflation and, on the other hand, an evidence of ability to pay additional taxes.

"The taxes needed to round out a sound program of war finance should be levied in accordance with the principle of ability to pay. This does not necessarily imply sole reliance on any particular type of tax. It is my sincere hope, however, that all of the needed revenue will be raised by levying taxes upon those best able to bear them and that none of it will be raised by the imposition of taxes on the necessities of life."—The Secretary of the Treasury.

Does not the Secretary suggest taxes which, however heavy, must fail to absorb the "excess consumer spending power" of which he speaks?

The Secretary apparently would ride two horses going in opposite directions.

The State Of Trade

Business reports were not so favorable last week and most of the heavy industries showed declines. Electric output was off slightly compared with the previous week, while carloadings showed a substantial decline. Steel production continues to about hold its previous high level. Reports from the retail trade also disclosed substantial declines last week with department store trade of the country off 9%, compared with last year.

Production of electricity declined to 4,511,562,000 kilowatt hours in the week ended Feb. 19th, from 4,532,730,000 in the preceding week, according to the Edison Electric Institute. This was 14.3% above the year-ago total of 3,948,-749,000. As usual, the Pacific Coast showed the largest gain over the 1943 week, increasing 27.5%, while the New England States reflected the smallest gain, being 5.9%.

Carloadings of revenue freight for the week ended Feb. 29th, totaled 775,692 cars, according to the Association of American Railroads. This was a decrease of 19,-570 cars from the preceding week this year, 23,673 cars more than the corresponding week in 1943 and 1,272 cars above the same period two years ago. This total was 121.90% of average loadings for the corresponding week of the ten preceding years.

Steel production in the United States is scheduled this week at 97.5% of rated capacity against 97.7 last week, according to the American Iron & Steel Institute. The rate for the current week is equivalent to output of 1,746,500 net tons of ingots and castings, compared with 1,750,000 last week and 1,700,500 in the like 1943 week. Activity in all major steel products is well sustained, the magazine "Steel" says, with emphasis on sheets and plates and some quickening in hot-rolled and cold-drawn carbon bars. Meanwhile, the industry is faced with a redistribution problem resulting from excess stocks from contract cancellations and cutbacks. According to "Steel," more than 15,-000 ordnance contracts have been cancelled since Pearl Harbor and prospects indicate further substantial readjustments in war programs soon.

On Dec. 31st, last, 4.200 of these cancelled contracts remained unsettled, indicating, according to the magazine, that the problem of termination contracts and the redistribution of inventories and equipment is not just a problem for the future, but to some extent is here now.

Steel production increased 4% last month and continued to rise during the first three weeks of February, the Federal Reserve Board reports. The gain reflected large military requirements for invasion equipment as well as increasing use of steel for farm machinery and railroad equipment, the Board said.

Business in the retail trade last week was spotty, with a slackening in the buying of spring lines, largely due to adverse weather conditions, according to the weekly review by Dun & Bradstreet, Inc. Apparel stores, particularly in suburban districts, reported sales volume lower than the previous week. Similar decreases were noted in men's wear. Inventory reports from several large cities indicated store stocks were larger than at this time last year, especially in apparel lines for the Easter season. Wholesale volume was lower in the week with some types of merchandise unavailable or on a quota basis. Retail sales on a country-wide basis were estimated at 4 to 8% lower than a year ago.

Department store sales on a country-wide basis were down 9% for the week ended Feb. 19, compared with the like week a year ago, according to the Federal Reserve System. Store sales were off 6% for the four-week period ended Feb. 19, compared with the like period last year.

Department store sales in New York City in the week ended Feb. 26 were 5% smaller than in the like week of last year, according to a preliminary estimate by the Federal Reserve Bank of New York. For the four weeks ended Feb. 26 sales were also off 5% compared with the like 1943 period. In the previous week, ended Feb. 19, sales of this group of stores were unchanged in total from the corresponding 1943 week.

Congress Passes Tax Bill Over President's Veto; Barkley Re-Elected Senate Leader

Texts Of Roosevelt And Barkley Letters

The over-riding of the President's veto of the tax bill by Congress was witnessed the latter part of last week—the House having passed the bill over the veto on Feb. 24 by a vote of 299 to 95, and the Senate taking similar action on Feb. 25 by a vote of 72 to 14, or 14 more than the necessary two-thirds majority. At that instant, it was noted by the Associated Press, the bill, which Congressional sources estimate will yield about $2,315,000,000 additional revenue annually, became a law. It was recorded in the Senate by the presiding officer of that body—the Vice-President—that:

"In order to prevent any doubt arising as to the time of passage of the bill if the question should arise hereafter, the Chair announces the time as 12:49 p.m."

The signing of the bill by Edwin A. Halsey, Secretary of the Senate, was witnessed by Senator George.

Regarding the House action the Associated Press said:

"Ninety-nine Democrats and one minor party member joined 199 Republicans in voting to override. Three Republicans, three minor party members and 89 Democrats voted to sustain the President."

Special advices to the New York "Sun" from its Washington bureau Feb. 25 reported as follows as to the Senate vote:

"President Roosevelt 'carried' only three States in the Senate today when the tax bill was enacted into law, over his veto, by a majority of better than 5 to 1.

"Here are the simple statistics of one of the most emphatic rebuffs ever delivered by the Senate against a Presidential veto:

"The members of the Republican party voted 32 to 1 against the President.

"The members of Mr. Roosevelt's own party voted 3 to 1 against him.

"The President's opposition on this issue came chiefly from within his own party. Thirty-nine Democrats voted against him, and 32 Republicans.

"Breaking the vote down geographically, it appears that the President won the support of the Senate delegations from only three States: New York, Utah and Washington.

"He broke even in the delegations from 9 other States: Alabama, Florida, Virginia, Pennsylvania, West Virginia, Delaware, Rhode Island, Montana and North Dakota.

"From the entire 'Solid South' he won exactly three votes—no more."

In protest over the strictures against Congress embodied in the veto message, Senator Alben W. Barkley of Kentucky, following his announced intention, tendered his resignation as Democratic leader of the Senate on Feb. 24, despite a plea by President Roosevelt that he would not persist in carrying out his intention; and "if you do," said the President, "I hope your colleagues will not accept your resignation, but if they do . . . that they will immediately and unanimously re-elect you." This procedure occurred in the Senate on Feb. 24, when the Senator tendered his formal resignation to the conference of Democratic Senators, which accepted his resignation, but immediately unanimously re-elected him as "the new leader of the Democrats in the Senate." The acceptance of the re-election by Senator Barkley followed.

Senator Barkley in the Senate on Feb. 23 unhesitatingly attacked the censures of Congress contained in the President's veto message, and brief reference thereto appeared in our issue of Feb. 24, page 789; it was then that he made known his intention to withdraw as majority leader. In his lengthy speech in the Senate (which we are giving in full elsewhere in this issue) the Senator said:

"In his effort to belittle and discredit Congress throughout his veto of this bill the President says:

"'This is not a tax bill but a tax relief bill, providing relief not for the needy but for the greedy.'

"That statement, Mr. President, is a calculated and deliberate assault upon the legislative integrity of every member of the Congress of the United States. The members of Congress may do as they please. But as for me, I do not propose to take this unjustifiable assault lying down.

"For 31 years I have continuously represented the great commonwealth of Kentucky in the Congress of the United States, 14 years in the House of Representatives, almost without opposition in my own party or in the Republican party throughout that entire period. When my present term as a Senator shall have expired I will have served that great commonwealth continuously for a period of 32 years.

* * *

"Mr. President, this is the first time during that long service, which I had thought was honorable, when I have been accused deliberately of voting for a bill that constituted a relief measure impoverishing the needy and enriching the greedy.

* * *

"Whether I have made a good majority leader, an indifferent majority leader or a bad majority leader, the record itself will speak. There is nothing in that record that I would now change; there is nothing in that record that I would not repeat under the same circumstances that existed during this course of my legislative history.

"But, Mr. President, there is something more precious to me than any honor that can be conferred upon me by the Senate of the United States or by the people of Kentucky or by the President of this republic, and that is the approval of my own conscience and my own self respect. That self respect and the rectitude of that conscience I propose on this occasion to maintain."

In conclusion Senator Barkley stated that "if the Congress of the United States has any self respect yet left it will override the veto of the President and enact this tax bill into law, his objections to the contrary notwithstanding."

In Associated Press advices from Washington Feb. 23, it was stated:

Senator Barkley's speech was a symptom of spreading rebellion in the Senate over the veto message in which the President called the tax bill much too small and said it was a relief bill for the "greedy."

In the House, Representative Doughton, Democrat, North Carolina, 80-year-old Chairman of the tax-writing Ways and Means Committee, declared in effect that the President was asking Congress to accept dictation. That is "where I part company with the President of the United States," said Senator Doughton.

Many other members joined Barkley and Doughton in their stand, and administration men freely predicted that the veto would be overridden.

The letter addressed by the President to Senator Barkley urging him not to persist in his "announced intention to resign as Majority leader," written under date of Feb. 23, follows:

"Dear Alben:

"As I am out of the city I am unable to have a personal talk with you. If I were there, of course, that is the first thing I would do.

"I regret to learn from your speech in the Senate on the tax veto that you thought I had in my message attacked the integrity of yourself and other members of the Congress. Such you must know was not my intention. You and I may differ, and have differed on important measures, but that does not mean we question one another's good faith.

"In working together to achieve common objectives we have always tried to accommodate our views so as not to offend the other whenever we could conscientiously do so. But neither of us can expect the other to go further.

"When, on last Monday, I read to you portions of my tax message and you indicated your disagreement, I made certain changes as a result of our talk. You did not, however, try to alter my basic decision when you realized how strongly I felt about it. While I did not realize how very strongly you felt about that basic decision, had I known, I should not have tried to dissuade you from exercising your own judgment in urging the overriding of the veto.

"I sincerely hope that you will not persist in your announced intention to resign as majority leader of the Senate. If you do, however, I hope your colleagues will not accept your resignation; but if they do, I sincerely hope that they will immediately and unanimously re-elect you.

"With the many serious problems daily confronting us, it is inevitable that at times you should differ with your colleagues and differ with me. I am sure that your differing with your colleagues does not lessen their confidence in you as leader. Certainly, your differing with me does not affect my confidence in your leadership nor in any degree lessen my respect and affection for you personally.

Very sincerely yours,
FRANKLIN D. ROOSEVELT."

Senator Barkley in his reply essayed that "in this great crisis of our Nation's history we must all seek some common ground upon which we can meet and have confidence in one another. That applies to all branches of our Government."

The Senator also stated in his letter: "I want you to know that you have my utmost confidence and affection and the personal and official relations which to me have been a source of infinite pride, I hope may be continued." Senator Barkley indicated in his letter that he had again accepted the majority leadership of the Senate. He expressed his "fervent trust" that this incident may be instrumental in bringing the executive and legislative departments closer together in fullest cooperation to the end that we may win this terrible war at the earliest possible moment." Senator Barkley's letter follows:

"My Dear Mr. President:

"When I reached my home late yesterday afternoon, after the events of the day, Steve Early was waiting with your gracious letter which he delivered to me in person.

"First, let me thank you for your prompt disavowal of any intention to reflect upon my own or the integrity of other members of the Congress. I accept your statement in this regard at full value and I am happy to feel that it was sincere. If, when I discussed the veto with you on last Monday, I had known that it would be couched in the language which it contained, I would then have protested against it and would have advised you that I would be compelled to reply. However, our argument over the veto related to the measure itself, and when I learned that you had definitely decided to veto the measure notwithstanding any arguments which I had been able to put forward, I felt that there was no further occasion for discussion.

"I am sure I need not say to you that I have, during these eventful years, worked with you with an inspiration, a devotion and a personal affection which has not been approached by any other men, unless it be Woodrow Wilson, at whose feet I sat as a young member of Congress and learned from him many of the great lessons of liberalism in government and society which I have struggled to advance.

"I realize that sometimes language in a written document carries with it connotations not intended by the writer. Sometimes the expressions on one's countenance or the intonations in one's voice indicate a meaning not always carried in the written word. But I feel that upon reflection you will agree that some of the language contained in your veto message was abundantly susceptible of the interpretations which I put upon it in my address to the Senate and which many others put upon it throughout the country.

"I am happy to feel, as you have indicated, that you had no such purpose in mind.

"I realize that in these terrific times you are burdened with a responsibility no American President has ever borne. Throughout this perilous period my heart has gone out to you in sympathetic understanding, not only of your great responsibility, but your high purpose in meeting that responsibility. I want you to know that that faith in you endures in me today and will continue to endure because I have recognized in you a spokesman of the people, whose chief desire was to advance their welfare and their happiness.

"We have on some occasions disagreed as to policies and we have sometimes disagreed as to methods. Frequently I have submerged my own views in recognition of your more intimate knowledge and your greater responsibility. Sometimes you have yielded your views to mine. In all these circumstances we have maintained a mutual respect which I have deeply appreciated.

"But it seems to me there is something broader and more fundamental than any personal acquiescence as between you and me over matters of public policy and fundamental principles. In this great crisis of our nation's history we must all seek some common ground upon which we can meet and have confidence in one another. That applies to all the branches of our Government. If we cannot trust one another in this tragic period of the history of our nation and of the world, how can the people trust us?

"I want you to know that you have my utmost confidence and affection and the personal and official relations which have been to me a source of infinite pride, I hope may be continued.

"In view of all that happened, I felt compelled to tender my resignation as majority leader at the Democratic conference today. The conference unanimously accepted it and then unanimously re-elected me as majority leader. In spite of my own personal preference to yield this responsibility to some other, in view of their earnest and unanimous action, and in view of your own generous and manly statement to me, I have accepted again the majority leadership of the Senate.

"I fervently trust that this incident may be instrumental in bringing the executive and legislative departments closer together in fullest cooperation to the end that we may win this terrible war at the earliest possible moment, bring all of our armed forces back to their homes and loved ones, and be instrumental in bringing to a downhearted and distressed world peace at last.

"With great respect, I am

"Cordially and sincerely yours,

ALBEN W. BARKLEY."

Marked Expansion In The Supply Of Money—Gold Stocks In The United States Decline

The January number of the League of Nations Monthly Bulletin of Statistics, published by the League Mission at Princeton, N. J., contains, in addition to the usual tables, a series of graphs illustrating the Movement of Note Circulation and Commercial Bank Deposits in some 30 countries since July, 1939. Advices from the League Mission on Feb. 17 state:

The following indices indicate the relative changes in note circulation and bank deposits that have occurred between July, 1939, and the latest date for which figures are available (July, 1939, equals 100, unless otherwise indicated in notes):

Country—	Note Circulation 1943		Deposits 1943	Sight	Total
Bulgaria	July	740	Apr.	---	220
Iraq	Oct.	719	Jun.	782	†491
Hungary	Nov.	474	Sep.	258	204
India	Nov.	470	Aug.	332	245
Finland	Sep.	441	Oct.	392	201
France	Oct.	386	Sep.	---	273
Roumania	Oct.	372	May	186	234
Turkey	Oct.	362	----	‡	‡
Belgium	Nov.	357	Sep.	§228	§249
Germany	Nov.	351	----	¶	¶
Canada	Nov.	347	Nov.	313	177
Australia	Nov.	325	Nov.	235	152
Netherlands	Nov.	321	Oct.	209	217
Denmark	Nov.	302	Oct.	288	173
Japan	Sep.	300	Aug.	242	**232
Portugal	Sep.	295	Sep.	483	377
United States	Dec.	290	Dec.	194	176
Peru	Oct.	280	Sep.	264	239
Union of South Africa	Aug.	*267	Aug.	245	226
Chile	Sep.	249	May	180	††159
Mexico	Aug.	*232	Jun.	440	359
New Zealand	Nov.	225	Oct.	215	162
United Kingdom	Nov.	*214	Nov.	209	173
Ireland	Nov.	213	Sep.	---	143
Sweden	Nov.	203	Oct.	153	127
‡‡Brazil	July	201	----	‡‡	‡‡
Colombia	Sep.	197	Sep.	210	198
Switzerland	Nov.	168	Sep.	§§139	§§121
Argentine	Oct.	159	Sep.	194	146
¶¶Venezuela	May	*137	Oct.	229	---

*Notes (also coin in some cases) in the hands of the public. †Iraq, total deposits: Sept., 1943, 690. ‡Turkey, deposits: Dec., 1942, sight 173; total 145; May, 1943: total 161. §Belmium, deposits: base June, 1939=100. ¶Germany, deposits: base Dec., 1938=100. Dec., 1941: sight 194; total 199; Dec., 1942: total 230. **Japan, total deposits: Sept., 1943: 244. ††Chile, total deposits: Aug., 1943: 162. ‡‡Brazil: base June, 1939=100. Deposits: April, 1942: sight 137; total 147; June, 1942: total 149. §§Switzerland, deposits: base June, 1939=100. ¶¶Venezuela: base Dec., 1938=100.

A marked expansion in the supply of money has taken place in all the 30 countries covered. Measures adopted by various governments with a view to draining off surplus moneys, such as the promotion of savings on a voluntary or compulsory basis, the withdrawal of high-denomination notes, etc., do not appear to have seriously halted the almost continuous upward trend in note circulation and bank deposits, more particularly sight deposits.

The expansion in the supply of money is due basically to the great increase in Government expenditure, generally in connection with the war, this expansion having been neutralized only in part by increased taxation and savings. The following indices, based on data given in the Bulletin, show how Central Government expenditure and receipts have increased according to the latest budget estimates since 1938 (1938/1939):

1938 (1938-39)=100

*1943 (1943-44)	Expenditure	Receipts
†U. S. A.	1,118	789
Canada	995	548
Australia	792	363
United Kingdom	511	300
New Zealand	486	333
‡France	377	187
§Germany	317	198
¶Bulgaria	301	283
Switzerland	289	145
Union S. Africa	241	192
**Chile	223	212
**Colombia	199	155
Turkey	193	178
Mexico	142	159
Ireland	139	130
Venezuela	112	96

*Unless otherwise stated. †U. S. A.: 1944-45. ‡ France, expenditure: excluding financing of clearing accounts with Germany (including this item: 432). §Germany: 1942-43. Expenditure: total of taxes and net borrowing. Receipts: taxation receipts only. ¶Bulgaria: corresponding indices for 1942 (closed accounts): exp. 390; rec. 333. **Chile, Colombia: 1944.

In most of the above countries, particularly in the United States and in Europe, the budgets in 1938 (1938/1939) were not balanced, so the discrepancy between expenditure and receipts is now generally somewhat greater than these indices suggest.

The failure of taxation to keep pace with expenditure has led to a great increase in internal public debt. This development is brought out by the following indices, based on data published in the Bulletin and relating, unless otherwise stated, to internal debt only (months refer to 1943).

DECEMBER, 1939=100

Finland, September	1,009
Germany, August	512
United States of America, December	357
*Sweden, October	340
Japan, July	301
France, September	282
†Bulgaria, December	280
Belgium, September	275
Colombia, August	252
Netherlands, August	233
United Kingdom, December	231
Uruguay, November	158
Union of South Africa, September	157

*Internal and external debt. †December, 1942.

The other usual Bulletin tables show inter alia that:

Industrial production in the United States fell in December by two points, or about 1%, mainly as a result of a drop of eight points, or 4½%, in the iron and steel industry. Mineral production, however, rose by 5½% to reach a record level. Industrial production in Canada fell one point in November; there was a drop of 16 points (6%) in mining and a rise of 3 points (1%) in manufacturing where the wood and paper group showed an increase of 12 points (nearly 11%) over October's low level.

Wholesale prices in the United States and Canada were unchanged in December at levels 40% and 35%, respectively, over the prewar (Jan.-June, 1939) average; in the course of 1943, they had risen about 2% in the United States and 6% in Canada.

According to the latest figures available, wholesale prices appear to be more or less stabilized in Australia, New Zealand and in most European countries except Bulgaria, Finland and Hungary. In Latin America wholesale prices were either declining in some countries or else rising only very slowly in others.

Wholesale prices in Iran showed practically no change in September; they fell in India in October and in Palestine in September. According to latest information available, they exceeded the prewar level by no less than 359% in Iran, 239% in India and 217% in Palestine. In Egypt, wholesale prices were rising up to October, being then 187% over the pre-war average.

The cost of living in the United States rose one point in December to regain the May-June level, 26% above the prewar average (Jan.-June, 1939); during 1943, the total rise amounted to about 3%. In Canada the cost of living remained unchanged in December at 19% above the prewar average, having risen by rather less than 2% during the year.

In Latin America the latest data available point to the arrest or slowing down of the upward trend in living costs; in Uruguay, however, where there had been a drop about the middle of the year, a rise of 5% occurred between August and October.

In Europe, according to the latest official indices available, the rise in living costs appears to have been substantially checked except in Bulgaria, Finland, Hungary and also in Ireland, where there was a rise of 7% between May and November.

Between January and October the cost of living index (Jan.-June, 1939=100) for Iran rose from 444 to 783; for Egypt from 221 to 253, and for India from 195 in January to 226 in June. There are some indications that the rise in the cost of living in Palestine was halted during the third quarter of 1943.

Gold stocks in the United States declined during 1943 by $788,000,000, or by 3½%; at the end of the year they were for the first time since December, 1940, below $22,000,000,000 ($21,938,000,000).

Plans Under Way For Simplification Of Tax Returns; House Already At Work

Following the passage of the tax bill by Congress, effected through the overriding of the President's veto, the hope was held out to taxpayers on Feb. 27, by Chairman Doughton (Dem., N. C.) of the House Ways and Means Committee that "this may be the last return they will have to file." On that date, Associated Press advices from Washington said:

After "parting company" with President Roosevelt to steer the House in overriding the veto of the $2,300,000,000 new revenue bill, Doughton assumed leadership in the drive to simplify tax statutes.

He said today he hoped to see a simplification bill approved by his tax-formulating committee and presented for House consideration within two weeks.

The measure may provide:

1. Integration of the victory, normal and surtaxes into one overall tax base and rate structure, erasing the necessity of three separate computations.

2. That for most of the approximately 50,000,000 individual income tax payers the withholding against wages and salaries will become the actual, final tax, and no computations and returns will be required of those taxpayers at the year end.

3. That the integration and other simplification steps will be taken in a manner, so far as possible, to retain the present tax burdens against all levels of income, each taxpayer, including those paying small victory taxes, continuing to remit the same amount under the proposed collection system.

However, these simplification processes will not affect the returns on 1943 income due by March 15. Nor does the simplification effort contemplate lessening the taxes of any taxpayer at this time.

On Feb. 28, it was indicated that the Committee started work toward the simplification of the income tax return, and in about two weeks, it was said, when most of the 50,000,000 taxpayers will have completed the most intricate forms ever issued by the Treasury, the Committee hopes to have its streamliner ready for presentation to the House.

From the Associated Press we also quote:

Chairman Doughton (D. N. C.) said that the new bill may have these features:

1. Integration of the victory, normal and surtaxes into one overall levy;

2. Adjustment of withholding levies and individual tax indebtedness so that, in most cases, the amount withheld by employers will constitute the entire tax and supplementary payments and filing of returns will be made unnecessary;

3. Provisions provided in the new form will be such that tax burdens will be continued, as far as possible at their present level.

Though Mr. Doughton expressed the hope that the streamlining of the income-tax law might end returns for most taxpayers, Chairman George (D.-Ga.) of the Senate Finance Committee said he believed that the total tax for some 30,000,000 might be collected through the withholding tax alone, while the other 20,000,000 would continue to make returns. In the latter group, said Senator George, would be those in high income brackets, professional people and the self-employed.

Employment Declines Again In January

The general decline in employment which became evident in the closing months of 1943 grew more pronounced in January, according to preliminary reports reaching The National Industrial Conference Board. The Board in making public the report on Feb. 18 also said:

"Non-agricultural civilian employment, according to these sources, was reduced by more than a million in January, with a decline of more than 500,000 apparent in agriculture. Total employment, including the Armed Forces, dropped to approximately 60.5 million, as against 62.2 million in December and 64.5 million at the September peak. Trade, manufacturing, and the post offices all contributed to this sharp decline. Losses in the transportation equipment, iron and steel, lumber and automobile industries ranged from 17,000 to more than 50,000. In the non-durable manufacturing group, declines were especially pronounced in the food, textile mill products and chemical industries.

"December reports showed nearly 1.1 million fewer persons employed or in the Armed Forces than in the previous month. Most of this decline was in agriculture and was of a seasonal nature, but there were also losses in manufacturing and construction. By the end of the year employment was only 3.6 million greater than in December, 1942, as compared with year-to-year increase at the September peak of 5.3 million over September, 1942.

"Both durable and nondurable factory employment declined during December. The decrease in transportation equipment group reflected shifts in the type of product required and the inability to hire new workers. Losses of 24,000 were reported in the iron and steel, nonferrous metals, lumber, furniture and stone, clay and glass industries. Seasonal factors as well as cutbacks influenced the drop in non-durable goods.

"Only in trade, transportation and extraction of minerals did civilian employment increase in December. The number on manufacturing payrolls fell 76,000, while employment in contstruction again fell by 13.5%.

"The decline in farm employment was somewhat less than seasonal, and the 8.9 million at work in agriculture was the same as a year earlier."

The Financial Situation

(Continued from first page)

has, however, served to alter predictions of large immediate purchases merely as to the identity of the purchaser and the nature of the goods likely to be sought most immediately and persistently.

The latest delivery on this subject comes from the Department of Commerce which in the current issue of its Survey of Current Business publishes the results of an inquiry by two of its economists into the amount of liquid savings with which business enterprise in this country is likely to start the post-war period. Here are some of its more important conclusions:

Funds (all in cash or Government obligations) available to business in the Transition (that is, from a war to a peace economy) Year—in addition to holdings as of Dec. 31, 1941 (in billions of dollars):

Accumulated during 1942 and 1943	33-38
Provisions for depreciation, etc. (in first post-war year)	5- 6
Net amount due from Government on output delivered before Jan. 1, 1944	2- 3
Net claims on uncompleted contracts	7-11
Total	47-58

Summary of Maximum Charges Against Business Accumulation
(Billions of Dollars)

Retire wartime tax accruals	8
"Reconversion"	4
Replenish civilian goods inventory	8
Equipment purchases (deferred plus current replacements)	11
Deferred maintenance (net)	2
Reextension of consumer credit	3
Total	36

"Summarizing these calculations, it appears that a **maximum** of $36 billion might be required to restore the pre-war plant, inventories and receivables of American business, and to liquidate the increase in tax accruals since 1941. Although there is no basis for precise estimates of several of these items, it should be clear that $33 to $38 billion of funds accumulated by business during 1942 and 1943, plus the $14 to $20 billion which will become available during the transition, exceed these potential outlays by at least $10 to $20 billion. Since this calculation involves in every instance the maximum appropriate charge and since it does not allow for the further accumulation of business funds from the close of 1943 until the end of the war, this excess could not be less than $10 billion but might well be more than $20 billion."

In further development of the supposed significance of these figures, the article proceeds:

"Some idea of the relative magnitude of the minimum of $10 to $20 billion available from wartime accumulations for expansion purposes may be gained from a comparison with the net private outlays of very roughly $10 billion for expansion of productive facilities and inventories in 1941. This was the largest expansion in any one year during the past two decades. . . .

"It should be remembered that there will be individual firms in a less advantageous financial position. It can be said, however, that the lack of funds will be localized rather than general and that typically the uncertainty over the adequacy of business funds has to do with the requirements for business expansion rather than with the requirements for reestablishing the prewar volume of business."

Some Limitations Recognized

It is evident both from the passages quoted and from other parts of the study that the authors are well aware of many shortcomings of the data with which they are working. It is equally clear that they understand that certain limitations must be set upon the interpretation of the figures finally arrived at. Yet one is obliged to wonder if they have a full realization of certain underlying implications of the reasoning which they appear to be employing.

It may, of course, be that the enterprise with the surplus "liquid savings" is the firm which would wish to increase its inventories of consumer goods or enlarge its volume of consumer sales. It can, however, do neither unless and until the manufacturer of such goods has been able to make them in adequate amounts, which he, in turn, can not do until his suppliers, and quite possibly the equipment makers, can serve him. Now it may be that either the manufacturer of the consumer goods desired, his supplier, or the equipment maker may be short of "liquid savings" or have large claims against his accumulations, and in addition be one of those holders of Government contracts whose working capital becomes frozen as a result of contract cancellation and whose foresight did not provide V, VT or T loan protection. In fine, suitable distribution of adequately liquid working positions is in such a situation of about as much importance as the total or average liquidity of industry and trade in general.

But there are much more fundamental considerations. These "funds" take the form of cash in hand or in the banks and Government obligations. The authors apparently do not find anything strange in the thought of business spending all these sums in addition to whatever current income it has during the period in question. But who will convert the Government obligations into cash? Not business, surely, since it is business which is to spend the proceeds of their sale. Then either the Government must raise a sufficient surplus by taxation to reduce its debt in the amounts in question, individuals must take them up out of their "liquid savings", or the banks must buy them, thus adding further to the excess money supply.

But what about the large holdings of cash? Apparently business men are expected to spend with one another all these accumulations of cash plus their current income. But what would they buy? What other business men sell, of course. What else would they buy? But what business men sell equals current income. What, then, is left for which to spend cash accumulations? That is to say, the community is conceived of as making a continuing effort to buy more goods than there are. And such an outcome is heralded as sound and likely to be helpful!

Other Possibilities

There are possible offsetting factors—none of which is mentioned in such discussions and none of which appears to be very likely to appear. One is that the Government will sell its surplus goods reasonably and steadily to a famished market, and with the proceeds retire its debt to the banks in part. Better still were such retirement increased by a surplus of taxation over expenditures. Another is that the community absorb some of the Federal debt now owned by the banks. The third is that we buy more from abroad than we sell in foreign markets. But, of course, any of these would in one degree or another tend to spoil the beautiful picture of post-war booms now so often painted as a result of huge accumulations of funds seeking goods.

Of course, there is a fourth possibility—that the public, as was true during the thirties, simply hoard its funds, and business "go slow" in recognition of the unsoundness of the situation being generated by such conditions and by other untoward Government policies. That is to say, idle funds remain idle, and the more funds are brought arbitrarily into being the more funds become idle.

How long will it take us to recognize this old, old, pump-priming economic perpetual motion fallacy in a slightly new garb?

Industrial Activity Maintained In January According To Federal Reserve Board

The Board of Governors of the Federal Reserve System reported on Jan. 26 that industrial activity was maintained in January following a decline from November to December. Commodity prices were steady and retail sales continued in large volume in January and the first three weeks of February, says the Board; its summary of general business and financial conditions follows:

Industrial Production

"In January the Board's seasonally adjusted index of industrial production stood at 242% of the 1935-39 average as compared with the peak level of 247 in October and November 1943.

"Steel production increased 4% in January and continued to rise in the first three weeks of February, reflecting large military requirements for landing craft and other invasion equipment as well as increasing use of steel for farm machinery and railroad equipment. Aluminum production was curtailed in January from the peak rate in the last quarter of 1943.

"Activity in the transportation equipment group was 5% lower in January than at the peak in November. The largest decline occured in commercial shipyards, many of which were changing from the production of Liberty ships to Victory and other types of ships. In the automobile industry production of 3,000 trucks was reported during the month under the greatly enlarged civilian truck program for 1944 which calls for the production of 92,000 mediumweght and 31,500 heavy trucks during the year.

"Output of textiles, shoes, and manufactured foods rose slightly in January, following small declines in December. Chemicals production continued to decline, reflecting a further curtailment of small arms ammunition output. Output of petroleum and rubber products showed little change.

"Production of coal increased and crude petroleum output continued at a high level in January and the early part of February. Sunday work was instituted in anthracite mines during February as a measure to increase production, and output for the week ending February 12 was 13% higher than the preceding week.

"The value of construction contracts awarded in January, according to reports of the F. W. Dodge Corporation, declined to the lowest level for the month since 1935.

Distribution

"Value of department store sales in January and the first three weeks of February was maintained at a high level for this season of the year. Sales in January exceeded the large volume of a year ago by about 6% but in February sales were somewhat smaller than last year when a buying wave developed following the announcement of shoe rationing

Freight car loads declined less than usual in January and the first half of February, owing chiefly to the heavy volume of coal shipments. Movement of grain continued at the high level of last fall and livestock and lumber shipments were in large volume.

Commodity Prices

"Wholesale prices of most commodities continued to show little change in January and the early part of February. Maximum prices for coke, wood pulp, furniture, and certain other products were increased moderately.

"The cost of living index of the Bureau of Labor Statistics declined from 124.4% of the 1935-39 average in December to 124.1 in January.

Bank Credit

"Purchases of securities in the Fourth War Loan Drive by corporations and individuals resulted in a release of required reserves of member banks because funds were drawn from private deposit accounts, which require reserves, to the Government war loan accounts, which are exempt from reserve requirements. As a consequence, member banks repurchased bills from the Reserve Banks, and the latter's holdings of Government securities declined by $520,000,000.

"At reporting member banks in 101 leading cities, adjusted demand deposits decreased by $3,400,000,000 in the four weeks ending February 16, while U. S. Government deposits increased by $6,900,000,000, reflecting purchases of Government securities by bank customers during the war loan drive. Government security holdings at reporting member banks increased $2,800,000,000 over the four weeks.

"Loans to brokers and dealers increased by $320,000,000 during the drive which was substantially less than in either of the two previous campaigns. Loans to others for purchasing or carrying Government securities rose by about $610,000,000, two-thirds of which was at New York City banks. Commercial loans, which had increased substantially during the Third War Loan Drive, showed little increase during the current period."

Winthrop Carter Dead

The death on Feb. 22 of Winthrop Carter of Hollis, N. H., Chairman of the New Hampshire War Finance Committee of the Treasury, occasioned the expression of deep regret on Feb. 23 by Treasury officials. In the absence of Secretary Henry Morgenthau, Jr., Acting Secretary of the Treasury Daniel W. Bell said:

"Secretary Morgenthau and the Treasury Department have suffered a great loss in the death of Winthrop Carter. Mr. Carter made an outstanding record as State Chairman of the War Finance Committee in New Hampshire in behalf of the War Finance Program, and we here in the Treasury Department are deeply grieved at the passing of a fine friend and a faithful public servant."

Ted R. Gamble, National Director of the War Finance Division of the Treasury, who was closely associated with Mr. Carter also expressed his sense of deep personal loss. Mr. Carter had served as State Chairman in New Hampshire since August, 1943, when the old Victory Fund Committee and the War Savings Staff were merged into the War Finance Committee. Mr. Carter was President of the Nashua Gummed & Coated Paper Co., Director of the Second National Bank of Boston, and a member of the Industrial Loan Committee of the Federal Reserve Bank of the First [Boston] District, and was twice President of the New England Council.

Wooten to Become Officer Of Republic Bank Of Dallas

The intention of Ben H. Wooten, President of the Federal Home Loan Bank of Little Rock, Ark., to resign from that post April 1 to become Vice-President of the Republic National Bank at Dallas, Tex., was made known in Associated Press advices from Little Rock on Feb. 11, which also stated:

Mr. Wooten, head of the Home Loan Bank since 1932, is Chairman of the Arkansas State Planning Board and State Defense Council.

The Federal Home Loan Bank here serves Arkansas, Louisiana, Texas, Mississippi and New Mexico.

Text Of Barkley Resignation Speech In Senate Protesting Roosevelt Veto Of Tax Bill

Kentuckian Later Unanimously Relected Majority Leader And Tax Bill Passed By Congress Over President's Veto

While reference was made in our Feb. 24 issue, page 789, to the address in the Senate on Feb. 23, of Senator Alben W. Barkley, in which he tendered his resignation as Democratic leader of the Senate, in protest against the criticism of Congress by President Roosevelt in his message vetoing the tax bill, we are making room here for the speech of Senator Barkley in its entirety. The President's veto message was given a week ago in these columns, page 793. As we indicate in another item in this issue, the tax bill has been passed by Congress over the veto of the President. Senator Barkley's speech follows in full:

Mr. President, on yesterday the President of the United States sent to the House of Representatives, and indirectly to the Senate, a message vetoing the tax bill recently passed by both Houses of the Congress after six or eight months of deliberation upon it. I should have preferred to discuss this veto message on a proposal to pass the bill over the President's objections, but not knowing what action the House will take, and therefore not knowing whether the Senate will be given an opportunity to vote upon the veto, I have decided to discuss it now.

The President says in his message that he regrets it, but that he had to veto the bill in the public interest. He says that many months ago he asked Congress to increase the taxes by ten and one-half billion dollars, and that—

> Since then—

To use his own language—

> persons prominent in our national life have stated in no uncertain terms that my figure—

That is, the President's figure—

> was too low.

This reference in justification of his veto is obviousy to Mr. Wendell L. Willkie, the up-to-date Halley's comet darting across the firmament hither and yon to illuminate the heavens with an array of fantastic figures which neither it nor anybody can comprehend. I cannot but wonder, Mr. President, whether this spectacular celestial nomad has frightened the President into the use of figures quite as fantastic, though not as large.

The President states that while the measure purports to increase the national revenue by a little more than $2,000,000,000, the actual net result is a little less than $1,000,000,000.

The Treasury Department has but yesterday reported that the net increase in taxes provided in this bill amounts to $2,194,000,000. The staff of the Joint Committee on Internal Revenue set up by Congress estimates the net income to be around $2,300,000,000.

But let us take the figures of the Treasury Department itself, which we might well admit are conservative. This $2,194,000,000 figure is arrived at after deducting from the gross increase in revenues provided in the bill any losses from other categories that may occur by reason of the bill itself. Whether these losses amount to $150,000,000, as the President states, or to a smaller, or a larger sum, as estimated by the Treasury, they were all taken into consideration and deducted from the gross increases carried by the bill in order to arrive at the $2,194,000,000 reported by the Treasury. It may be that that figure is subject to a further readjustment on account of what the Treasury calls nonrecurring items amounting to about $75,000,000.

In order still further to belittle the amount of revenue provided in this new tax bill the President has resorted to one of the most unjustifiable methods of calculation it is possible to conjure up, which obviously was handed to him by a mind more clever than honest. He refers to an amount which he figures as $1,100,000,000, which he claims would be collected by a doubling of the social security taxes on March 1 of this year. I am one of the members of the Committee on Finance who voted against the freezing of the social security tax when it was passed on by the Committee. I not only voted on the floor of the Senate against freezing that tax, but I made on argument against it when the amendment was before the Senate for its consideration. The amendment freezing the tax at 1%, instead of automatically raising it to 2%, was adopted overwhelmingly both in the Committee and in the Senate.

In my discussion of that proposal on the floor of the Senate I stated that I had never regarded the moneys procured by this tax as anything but a sacred fund to be used for the payment of the worthy purposes contemplated when the social security law was enacted, and that I did not at that time, nor at any other time would I, vote to increase this tax merely for the purpose of letting the Treasury use it as revenue to carry on the ordinary expenses of the Government. It is true that in order to hold this fund inviolate and to obtain an income from it the law provides that it shall be loaned to the Treasury, originally at 3% interest, but now at a rate averaging the rate on other loans. But it is a loan. It is not Treasury capital. It is no more to be regarded as income in the Treasury than is the money obtained by the sale of War bonds, and it must be repaid, just as they are to be repaid, the only difference being that this loan bears a higher rate of interest than that borne by any of the War bonds now being sold to the public.

But even if this social security tax should raise the amount which the President estimates, he has no right to say that if it is left in the pockets of employers and employees, instead of being collected from them, it will reduce the annual income of the Treasury by that or any other amount. It simply is not an accurate statement of the facts, and everybody knows it. As a matter of fact, it will not raise that amount, because two months of the year have already elapsed, during which time the increased social security taxes have not been and will not be collected.

In his desire to criticize the bill and complain of Congress, the President, in talking about the desire for tax simplification, said—and I quote him:

> The Nation will readily understand that it is not the fault of the Treasury Department that the income taxpayers are flooded with forms to fill out which are so complex that even certified public accountants cannot interpret them. No—

Says the President, with a comma—

> it is squarely the fault of the Congress of the United States in using language in drafting the law which not even a dictionary or a thesaurus can make clear.

Mr. President, no man could have made that extraordinary statement who has sat in tax committees in the Capitol of the United States. If it was made by anybody who ever sat in a tax committee, it was a deliberate and unjustified misstatement in order to place upon Congress the blame for universal dissatisfaction with tax complexities, and in order to produce the illusion that the executive departments have in vain protested against this complexity. Congress is to blame for these complexities to the extent, and only to the extent, to which it has accepted the advice, the recommendations, and the language of the Treasury Department, through its so-called experts who have sat in on the passage of every tax measure since I can remember. Every member of the House Ways and Means Committee and every member of the Senate Finance Committee knows that every time we have undertaken to write a new tax bill in the last 10 years we have started out with the universal desire to simplify the tax laws and the forms through which taxes are collected. We have attempted to adopt policies which would simplify them. When we have agreed upon a policy, we have submitted that policy to the Treasury Department to write the appropriate language to carry out that policy; and frequently the Treasury Department, through its experts, has brought back language so complicated and circumambient that neither Solomon nor all the wise men of the East could understand it or interpret it.

In his effort to justify this veto message, the President has gone forth with a searchlight and magnifying glass to find inconsequential faults. The President states—and I quote him:

> The bill is replete with provisions which not only afford indefensible special privileges to favored groups but sets dangerous precedents for the future.

As evidence in support of this statement, the President refers to the provisions of the bill permitting corporations reorganized in bankruptcy to retain certain excess profits credits and other items attributable to the contributions of stockholders who are, to quote the President, "usually eliminated in the reorganization.".

This is cited as a loophole in behalf of special privileges. As a matter of fact, nobody knows at this time whether there would be any loss whatever to the Treasury on account of this provision. It all depends upon the outcome of litigation now pending in the courts, the outcome of which no person can foresee with any degree of certainty. But even if the litigation should result in making this provision effective, it would merely allow corporations which have come out of bankruptcy to claim and obtain the same credits which corporations which are still in bankruptcy obtain. Therefore no person can categorically claim that this provision would result in loss to the Treasury.

The President cites the percentage depletion allowance on a few new and insignificant items in this bill, not heretofore carried in tax bills or in the present law, and says that such allowances are questionable in any case. It is well known, Mr. President, that the Treasury has always been opposed to any sort of depletion allowance in the development or marketing of minerals; and the use by the President of the phrase "questionable in any case" indicates that his objections in this regard coincide with the traditional views of the Treasury. But according to the Treasury's own figures, the amount of revenue involved in this provision is so insignificant as to make a veto on that ground almost grotesque.

The President refers to the lumber industry as being permitted to treat income from the cutting of timber as a capital gain rather than as annual income, and cites that provision of the bill as a loophole in favor of special privilege. In all fairness to the Congress and to the people who read the President's message, it ought to be stated that under the present law, if a man owns a tract of timber and sells that timber, or sells the land on which it grows, to another person, company, or industry, he is allowed to pay taxes upon the amount which he receives as capital gain, not as annual income, for the year in which it is sold.

The difference between the tax provisions relating to capital gains and those relating to annual income are technical and are not understood by the average citizen or by many experts. I have neither the time nor the disposition to go into an explanation of this difference at this time. Suffice it to say that under the present law the owners of timberland may sell it to a lumber or milling company, or to anyone else who moves in upon it and cuts the timber and sells it, and is allowed to pay taxes on the basis of a capital gain. The person who buys, cuts, and markets the timber pays taxes on an annual income basis, because he is in that business; and in order to arrive at his income for that year upon his operation in that or any other field, he is allowed to deduct the costs originally, together with the expenses of operation, to arrive at the net income upon which he will pay a tax. But if the owner of that same land and that same timber, instead of selling it to another, moves a sawmill upon it and cuts it himself and sells it himself in the market, he is taxed upon it as income for that year. In other words, if he sells it outright to another, he is taxed in one way. If he cuts it himself, he is taxed in another way. This discrimination was recognized by the committee as an injustice to owners of land containing timber.

I voted for this timber amendment as a member of the Finance Committee. I voted for it on the floor of the United States Senate. As one of the conferees on the part of the Senate, I signed the conference report containing it. For that vote I make no apology to any human being. I did not vote for it in order to create a fantastic or imaginary loophole to allow someone to escape taxes. I voted for it as an act of justice to those who grow timber over a period of a generation, or half a century, and who are entitled to just treatment, no matter in what manner they dispose of the timber.

The President, in order to justify his treatment of this amendment, cites his own experience as a timberman, and from his experience he regards such income as constituting annual income. I do not know to what extent the President is engaged in the timber business. I do know that he sells Christmas trees at Christmas time. They are no doubt of easy growth and short life, and I have no doubt that the income from their sale constitutes annual income not only to him but that such income would constitute annual income to any other person engaged in a like enterprise. But, Mr. President, to compare those little pine bushes with a sturdy oak, gum, poplar, or spruce, which requires a generation of care and nurturing to produce in the forest, and from which no annual income is derived until finally it is sold, is like comparing a cricket to a stallion.

The President refers to a certain exemption in the bill from the excise profits tax for natural gas pipe lines, and uses that as a horrible example of loopholes which Congress has deliberately provided for special interests. The amount of taxes provided in this provision, Mr. President, according to the Treasury's own figures, would not exceed $5,000,000.

He refers to commercial air lines, not more than three of which could possibly be affected by the provisions of this bill, according to the Treasury's own figures. The amount of taxes involved in this extension of the tax subsidy on mail contracts is not a penny more than $1,500,000. Those are the items which the President, with a searchlight and magnifying glass, has gone about to find in order to sustain the veto, in order to prove to the American people that the Congress of the United States has deliberately used the taxing power to impoverish the poor and make the rich richer.

The President said that he had been advised by some not to veto this bill "on the ground"—to quote his own language—"that having asked the Congress for a loaf of break to take care of this war for the sake of this and succeeding generations, I should be content with a small piece of crust."

I am one of those, Mr. President, who advised the President not to veto this bill. I not only advised him, but I implored him not to veto it, because I did not then believe, and I do not now believe, that the veto which he has sent to Congress was justified. I make no apology for that.

The President said that he had been advised that, "having asked the Congress for a loaf of bread to take care of this war for the sake of this and succeeding generations, I should be content with a small piece of crust." Then he states that he might have given heed to such advice—"if I had not noted that the small piece of crust contained so many extraneous and inedible materials."

Mr. President, how small a piece of crust is this, and how inedible is it, containing, as it does, $2,250,000,000? How small a piece of crust is this, and how inedible is it? This "small piece of inedible crust" is more than the national debt of the United States Government prior to the First World War. This "small piece of inedible crust" is more than twice the annual cost of the Federal Government prior to the First World War. This "small piece of inedible crust" constitutes a sum of money large enough to pay the entire $1,350,000,000 which Congress last week authorized to be expended for the relief of human suffering in occupied territories, and still leave $1,000,000,000. This "small piece of inedible crust" constitutes a sum of money large enough to buy many airplanes and tanks, and many millions of rounds of ammunition. It is large enough to establish many hospitals for the relief of those injured in this war. This "small piece of inedible crust" constitutes a sum large enough to pay two-thirds of the cost of the mustering-out-pay bill for members in the armed services of the United States, which Congress passed only a few weeks ago, and which the President himself recommended and signed.

Mr. President, to refuse this "small piece of inedible crust" is the same as if a starving man were to say to his would-be benefactor, "Unless you serve me with a full eight-course dinner, I will not eat a bite."

In his effort to belittle and discredit Congress throughout his veto message the President says:

"It is not a tax bill but a tax-relief bill providing relief not for the needy but for the greedy."

That statement, Mr. President, is a calculated and deliberate assault upon the legislative integrity of every Member of Congress. Other Members of Congress may do as they please; but, as for me, I do not propose to take this unjustifiable assault lying down.

For 31 years I have continuously represented the great Commonwealth of Kentucky in the Congress of the United States—14 years in the House of Representatives—almost without opposition in my own party or in the Republican Party throughout that entire period. When my present term as a Senator shall have expired I will have served that great Commonwealth continuously for a pe-

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Plans For Post-War Currency Stabilization

(Continued from first page)

menting poverty for the toiling masses — the workers and employees—and provoked profound social crises in a number of countries.

At present the danger of a new currency depreciation after the war, primarily in the European countries, is quite apparent. In the course of the war there has taken place in all countries an accumulation of huge sums in bank and savings deposits. Because of the lack of equipment, raw materials, and manpower, the entrepreneur is unable to invest in his enterprise the money obtained from the sale of his goods. These sums of money remain inactive in the form of bank deposits. Workers and employees cannot spend their money incomes due to restrictions on consumption and the shortage of goods on the market; part of their income is accumulated in the form of deposits in the savings banks. In addition to this, the public in all countries is hoarding considerable sums of currency.[1] All these savings represent potential purchasing power, which will be thrown on the market when, with the end of the war, free purchase and sale of goods is resumed. At the same time the supply of goods will be reduced, due to the impoverishment of the countries. All this threatens a rapid spread of inflation and a rapid depreciation of currency.[2]

Besides these internal sources of inflation, there exist also external sources of inflation, emanating from foreign trade. The countries of the European continent ruined by the Hitlerite despoilers will emerge from the war greatly impoverished. Everywhere there will be great demand for raw materials, machinery, clothing, foodstuffs, etc. Business firms will try to satisfy this enormous demand by means of imports of goods. But at the same time the opportunities for export by the European countries will be extremely insignificant, due to economic ruin and the necessity of satisfying urgent internal needs. Hence the trade balances and balance of payments of the European countries will be quite unfavorable. Inasmuch as these countries do not possess any gold reserves by means of which it may be possible to cover unfavorable payment balances, foreign trade will emerge as a serious supplementary factor of inflation.

Such is the situation which will arise at the end of the war, if no measures of preventing or softening the impending depreciation of currency should be adopted.

In the foreign press, this problem is the subject of a lively discussion, in the course of which several suitable plans are being proposed. The most important of these are two proposals. The first, elaborated by the famous economist Lord Keynes, is an English plan for the formation of an international Clearing Union, and the second, prepared by Mr. White, is an American plan for the creation of a huge currency stabilization fund and an International Bank. Both plans are directed towards the same goal. However, they envision quite different paths, and the realization of one plan precludes the execution of the other. Apparently, there exist other plans as well, in the form of compromises. In our presentation of the contents of these plans below, we shall make use of such information as has appeared in the pages of the foreign press.

* * *

The essence of the Keynes plan consists of the following: There is to be created a Clearing Union, the members of which are the various countries represented by their central banks of issue. The Clearing Union opens an account for its members in a new special currency, the unit of which is called "bancor." By subsequent agreement among the founders of the Clearing Union, the bancor will have to be pegged in value to a certain quantity of gold. The bancor will not be exchangeable for gold; but it will serve the function of gold as an international currency, i. e., as a medium of payment in international exchange. This is achieved in the following way: If some bank or enterprise presents to the central bank of its country a request for international currency or gold to cover its foreign obligations, then the central bank can, instead of delivering foreign currency or gold, extinguish this obligation by transferring a corresponding amount of bancor from its account to the account of the central bank of the country concerned. In this manner, alongside of gold in its natural form and to a considerable extent in lieu of such gold the "accounting gold" in the form of bancors should serve to cover unfavorable balance of payments within the Clearing Union. This process is similar to what is accomplished by a clearing agreement between two countries and by bank transactions within a country.

Since a transfer in bancors can take place only between one government and another, the Clearing Union will always have equal amounts of debits and credits on its accounts, its balance will always be in equilibrium, and the stipulated gold value of the bancor will never be endangered. The Clearing Union will be able to grant without risk to any government advances in any amount, since this credit can be used only for transfers within the Clearing Union.

This does not mean, however, that any country may obtain an unlimited quantity of goods from abroad by means of transferring its cost in bancors. The Clearing Union may serve only for covering a balance of payments resulting from foreign trade, and not at all as a means of importing capital. It must aid in the development of foreign trade inasmuch as it affords to every participating government an opportunity, by means of short-term credit inside the Clearing Union, to cover temporarily an unfavorable balance in its international payments. But this is permissible only to a certain extent. The account of each government is limited to a definite amount.

The amount of credit which each country has at its disposal with the Clearing Union is determined by its "quota." The extent of the quota in the Keynes plan is intended to represent approximately 75% of the annual value of its foreign trade (imports and exports) as averaged over the three pre-war years. Hence, for some of the principal countries the quota would be expressed in the following figures:

	In billions of the National Currency	In billions of dollars
United Kingdom (pounds sterling)	1.4	7.0
United States (dollars)	4.2	4.2
Soviet Union (rubles)	2.1	0.4

These are round figures. They indicate that the quota of the United Kingdom is considerably higher than that of the United States, and almost twenty times as high as the quota of the Soviet Union.

Under the Keynes plan, members of the governing board of the Clearing Union, consisting of 12 to 15 men, have a voting power in proportion to the size of the quota assigned their respective countries. This means that Great Britain (together with its dominions and colonies) would have a decisive voice in the governing board of the Clearing Union, while the countries with smaller quotas (the Soviet Union, presumably among them) could as a rule have representation in the governing board only jointly with other countries.

The governing board of the Clearing Union, according to the Keynes plan, is invested with quite substantial powers. The various countries must present to this board highly important economic and statistical data and consult with it on measures to be adopted internally for the purpose of securing the stability of their currencies. However, as pointed out in the foreign press, it is highly doubtful whether the governments of the great powers would be inclined to recognize such pretensions on the part of the governing board of the Clearing Union.

What will happen if some country will need credits larger than the amount of its quota in bancors? In the event that a country should exceed its quota, it must pay annually to the Clearing Union 1% of the excess amount. If the excess is higher than one-fourth of its quota, the payment is raised to 2%. This penalty is discontinued when the debtor country concludes an agreement with the creditor country, by means of which its debt in excess of its quota is converted into a loan, and the amount in question is mutually cancelled on the accounts of both countries in the Clearing Union. If the debit balance of a country reaches 50% of its quota, and this balance is not converted into a loan, the nation in question is deprived of the right to draw further on the Clearing Union to meet its foreign obligations. All assistance available through the Clearing Union has thus been exhausted. Under such circumstances the country must, in the event of another unfavorable balance in its international payments, either cover it with gold or, in the absence of gold, it must needs bring its international payments into balance by regulating its foreign trade. In case neither of the above remedies is feasible, the value of the currency of the country in question—regardless of the existence of the Clearing Union—will be reduced.[3]

The Keynes plan is undoubtedly postulated on the peculiar position of the United Kingdom. The City of London before the war fulfilled the function of international banker. World trade was financed largely through the medium of drafts on London banks. The yearly income in Great Britain from this source was officially estimated before the war at between 30 and 60 million pounds sterling. However, the foundation for this role of the City of London was the stability of the British pound and the free circulation of gold, which in turn required a favorable balance of payments and the possession of an adequate gold reserve for covering temporary unfavorable balances in international payments. The war and its consequences have destroyed this basis. According to the obviously underestimated Kindersley's valuations of Britain's foreign capital investments, amounting to 3,600 million pounds sterling at the end of 1942, it has lost 1,000 million pounds sterling, surrendered largely in payment for American deliveries taking place before or outside of the terms of the Lend-Lease law. Its Far Eastern holdings suffered enormous losses. British dominions and colonies have repaid Great Britain a substantial part of their debts in course of the war. Therefore, British so-called "invisible exports" will be considerably smaller than before. The balance of payments of England threatens to become unfavorable in the post-war period. Moreover, the gold reserves of Great Britain were almost all sold to the United States, while the British colonies during the war have accumulated sizeable quantities of pounds sterling in London. Consequently, it is clear the United Kingdom cannot assume that in the post-war period it will retain its role of international banker by means of such devices as were effective in the pre-war period. The adoption of the Keynes plan undoubtedly would help restore England to its role of international banker in the post-war period, even if the stability of currency on an international scale should fail to be achieved by means of the creation of an International Clearing Union.

The covering of an unfavorable balance in trade or in international payments through the International Clearing Union could eliminate, within definite limits as described above, sources of inflation originating from an unfavorable balance of payments, in other words, from external causes. But this method could in no case remove those sources of inflation which result from internal economic causes, i. e., the inflationary effects of surplus purchasing power accumulated in the form of savings bank deposits, bank deposits, and bank notes withdrawn from circulation. Inflation and high prices on the domestic market inevitably lead (in the absence of strict regulation of foreign trade) through an unfavorable balance of payments to a decline in the exchange rate on the foreign market; in other words, also to "external" inflation. The existence of an International Clearing Union, to a certain degree, may cushion or retard external depreciation, but it cannot eliminate it.

The Keynes plan itself cannot secure the stability of currencies after the war. Only through continued government restriction of individual consumption and investment activities and through strict regulation of foreign trade, and also through a large-scale export of capital from rich countries to countries devastated by the war, could the aim of the Keynes plan to stabilize currencies be obtained. The fact remains that the adoption of these measures — which incidentally, under the existing social pattern in the world, is hardly practicable inasmuch as it runs counter to the selfish interests of the ruling circles—would be capable of securing the stability of the currencies of all countries.

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The second plan which looms large in international discussion is the plan of the American, Mr. White, which was presented to the Senate early in April, 1943, by Secretary of the Treasury Morgenthau. The leading idea of this plan consists in the mobilization for international payments of the huge gold reserve of the United States which is not serving any other purpose at present.

The United States now has a quantity of gold valued at 22.5 billion dollars, while the total volume of money in circulation is 17 billion dollars. Thus the bank notes have a gold backing considerably above 100%. The trade balance of the United States in the course of the whole war period has remained favorable, even apart from deliveries under Lend-Lease. Her balance of international payments is even more favorable. While the United Kingdom during the course of the war has lost a substantial part of its foreign capital investment, the capital investments abroad of the United States are continuously growing, partly as a result of the purchase of valuables formerly in the possession of British subjects, and partly as a result of new investments in South America, in North Africa, etc., intended to help expand the production of various types of strategic raw materials.

There is no doubt that the gold reserves and the favorable international balance of the United States would be capable of serving successfully the cause of the stabilization of currencies after the war. According to the White Plan a currency fund of 5 billion dollars is to be created to serve as the basis for stabilization. This fund is to consist of contributions from the participating countries. The amount of the contribution—the quota of each government—is to be determined by a number of economic indices, including the national income, reserves of gold and foreign exchange, the composition of the balance of payments, etc. The various governments have to make their contributions in the form of gold, their own currencies and securities, and permitting the gold contribution of those countries which possess no gold reserve to be reduced to 5% of their quota.

The Stabilization Fund is expected to perform almost all functions of an international bank: to buy and sell gold currency at fixed rates, to acquire notes and short-term obligations, to issue its own obligations, to serve as an international clearing center, etc. But all these services—with the exception of issuing its own obligations—it may perform only for member governments and their fiscal agents. It would, to begin with, acquire the currencies of the various countries in sufficient quantity to make them available to a member country in need of foreign currency for discharging its obligations. To make this possible, each member country must undertake, after joining the Fund, to offer for sale to the Fund [in return for its own currency] all newly-acquired gold or foreign exchange.

Any government joining this Fund must, over a period of three years, if possible, abolish all exchange restrictions against all other member countries. Furthermore, participating countries must gradually remove all trade barriers—tariffs, quotas, bans against imports—and to a lesser extent must not adopt any measures serving to impose restrictions upon foreign trade, until the Fund determines the effect of such measures upon the rate of ex-

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[1] The amount of banknotes at present in circulation is considerably higher than before the war in all countries. In the U. S. at the end of 1939 banknotes issued amounted to 7.6 billion dollars; in the middle of 1942—17.2 billion dollars; in Germany the corresponding figures are 12 and 28 billion marks; in France, 152 and 427 billion francs, etc.

[2] At present depreciation of currency has already taken place on a large scale in the neutral European countries, where government regulation of the economy is less noticeable than in the belligerent countries. This is obvious from figures characterizing the rise in prices:

	Index of wholesale prices (1929=100) 1940	1943
Spain	144	242
Portugal	100	217
Sweden	115	192
Switzerland	79	155
Turkey	101	521

[3] Besides securing the stability of currency, Keynes apparently also has in mind more far-reaching aims for his plan for an international Clearing Union. This Union would have to play a decisive role in the financing of the reconstruction work in the devastated areas, in the future "planning" of world economy, in the regulation of international raw materials problems, in the international migration of capital, etc. Without venturing into details, we only wish to note here that all these highsounding plans of Keynes in a theoretical sense are based on his mistaken theory, according to which it is possible to direct all capitalist economy by means of regulating the circulation of money ("managed currency").

change.[4] It is also desired that member countries abandon the practice of government subsidy of exports.

* * *

The Fund will stabilize the currencies of its member countries by offering foreign exchange or gold in return for the currency of governments in need of a foreign exchange medium for covering an unfavorable balance in their international payments. The money of the respective countries received in exchange remains temporarily in the treasury of the Fund. Incidentally, the White Plan also limits each country's acquisition of foreign exchange to the size of the quota of that country, while after two years twice the quota shall be the limit. In exceptional cases, by a majority of 4/5s of its governing body, the Fund may provide a country with gold or foreign exchange in amounts above this limit. But an unusual act of assistance of this sort carries with it the condition that the government which resorts to the assistance of the Fund shall accept and carry out the suggestions of the Fund aimed at the restoration of equilibrium in its international payments. Besides this, according to the White Plan, any country exceeding the limits of its quota shall pay the Fund at the rate of 1% for credit in excess of the amount of its quota.

The White Plan also anticipates the possibility that a shortage in the holdings of any particular currency in the Fund may develop. This can happen whenever the international payments of some particular country remain continuously favorable, as a result of which it finds itself in no need to acquire foreign exchange in return for its own money. In such cases the Fund pays particular attention to the currency of this country and recommends measures for adjusting its supply, measures which, in the economic sense, would lead to the increase of capital exports from the country in question, since a permanent favorable international balance can only be eliminated by converting it into capital exports.

All operations of the Stabilization Fund (as provided in the Keynes Plan) would be conducted in a new monetary unit, called Unitas. The Unitas would have a gold content of 10 American dollars and it would serve not only as an accounting currency, like the Bancor, but would also be held in the form of deposits redeemable in gold [i.e., deposits which could be transferred to other countries and redeemed in gold].

The Fund must not suffer any losses in the event of the depreciation of any particular currency. For this purpose, the currencies of all countries accumulated in the Fund must be defined in terms of "Unitas," in proportion to their gold values, as determined at the time the Fund is established. If the currency of a particular country depreciates in relation to gold, that country must deliver to the Fund a quantity of its own currency, sufficient to leave the gold value of its contribution to the Fund unchanged. Conversely, if the rate of exchange of some country rises in gold parity, the Fund will pay out the appropriate difference to the country in question. The change of gold content of the currency of any country may occur only with the consent of the Fund.

Undoubtedly, the Stabilization Fund planned by White may become a real factor in world economy and maintain the stability of currencies more effectively than the Clearing Union proposed by Keynes. To ascertain the significance of this Fund, it is sufficient to note that the capital of all American banks before the war amounted to approximately 8 billion dollars. Hence, the question of who should be entrusted with the control of the Fund, is being vigorously debated, not entirely without reason, in the world press.

How would the Fund be governed? In the White Plan each member government will appoint a director and an alternate. But in the matter of voting power the directors will not be equal. Each director is to have 100 votes plus one vote for each million dollars of his country's quota. However, no one representative should possess more than 25% of all votes. At the same time, it is provided that all current business shall be conducted by a managing director; the board of directors is to meet as a body as often as required, but at least once a year.

The more important decisions of the board of directors must be adopted by a majority of 4/5ths of the votes. This means that a government representative controlling 25% of the votes in effect possesses the right of veto on all important issues; in other words, the United States, whose gold reserve is twice as large as the national incomes of Great Britain, France, Germany and Italy taken together, will obviously emerge as the only State with 25% of all votes and will, consequently, be the leading power in the Stabilization Fund.

The leading position of the United States anticipated by the White Plan will be still further secured — as emphasized in the British press—by the participation in the Fund of the countries of Central and South America, which are now under the strong economic and political influence of the United States. According to a dispatch to the "Financial News" of April 27, 1943 the quotas provided for in the White Plan would be as follows:[5]

U. S. A.	25.9%
Latin America	3.3
British Empire	17.5
France	5.7
Soviet Union	4.0

Thus, the United States and the Latin American countries under its influence (even without Argentina) would control an absolute majority of votes in the board of directors of the Fund. The position of the United States would be still further strengthened in view of the fact that, under the circumstances, the lion's share of gold, which in the last analysis forms the basis of the Stabilization Fund, would have to be contributed by the United States, since most of the other countries possess no gold. The world press, therefore, arrives at the conclusion that the influence of the United States in the management of the Stabilization Fund would be decisive.

* * *

In addition to a Stabilization Fund the White Plan also proposes the creation of a "Bank for the Reconstruction and Development of the United and Associated Nations." This Bank is to pursue the following aims:

To provide capital for post-war reconstruction work; to cooperate in the transition to peace-time economy; to stabilize prices; to facilitate economic cooperation among the Allied nations; to eliminate tariff barriers; to insure access to sources of raw materials to all members of the Bank; to cushion economic crises; to avert financial crises; to increase the productivity of labor and thereby, also, the standard of living in the Allied countries; to aid in the solution of many economic and political problems which will arise at the peace conference, etc.[6]

We note that these aims are quite broad, and in part Utopian, such as for example the prevention of crises. Only those functions which are necessary to supplement the activities of the Stabilization Fund have real meaning, namely; the supplying of long-term credit and the facilitation of the export of capital from rich countries to the war-ravaged countries for the purpose of hastening the restoration of their economies. In this manner the Bank as envisioned in the White Plan may be able to avert social upheavals.

The Bank either provides the loans directly or undertakes to guarantee (up to 80%) such loans as are advanced to the respective countries by other banks. Just as in the case of the Stabilization Fund, the Bank grants or guarantees loans only to governments, State enterprises, central banks of issue, or to other international banks. The Bank grants or guarantees loans only when the respective States are unable to obtain loans from other sources or can obtain such loans only at prohibitive interest rates; to private enterprises the Bank under ordinary circumstances will not grant or guarantee loans. A loan granted to a particular government may not be used to discharge old debts, but must serve towards the development of the economy of the country.

The capital of the Bank, valued at ten billion dollars, should be contributed by member States in the same manner as the capital of the Stabilization Fund. Governments only who are members of the Fund may be members of the Bank; this right belongs exclusively to countries that are at peace with other member nations. As a means of increasing its resources, the Bank may issue notes in Unitas which must be backed by 50% in gold and by a 100% guaranty of the member countries. The management is similar to that of the Fund; important decisions of the board of directors must be adopted by a ⅔rds or 4/5ths vote.

To be sure, the projected Bank with its huge capital of ten billion dollars (which may be still further increased through the issuance of obligations and banknotes) together with the Stabilization Fund pursuing similar aims, would represent a gigantic economic force. But precisely for this reason, there exists not only outside the United States, but within the country as well, substantial opposition towards this plan. Thus, for example, the well-known American bank, the Guaranty Trust Co., has expressed itself as against the Reconstruction Bank, detecting in it a danger to existing banks. Strong opinion against the proposed bank has also found expression within the American Bankers Association. Similarly, those circles of big American industrialists who are enjoying the benefits of high customs tariffs are opposed to this plan, objecting to the demands of the White Plan for the abolition of tariffs. In short, it is far from clear whether the White Plan in its present form has any chance of adoption, even in the United States.

A still stronger objection to the White Plan, for quite understandable reasons, has come from Great Britain. The British periodical, "The Economist," stated early in September that, despite the fact that it would be very desirable to have a joint plan with the United States, it is still quite doubtful whether Great Britain will adhere to the White Plan, should it be adopted by the United States in its present form. Consultations among the experts, as well as the efforts of the former chairman of the Bank for International Settlements, the Dutchman, Beyen, with a view to effecting a compromise between the Keynes and White plans thus far have produced no results. Indeed, a compromise between the two plans is hardly feasible, inasmuch as Keynes attempts to solve the problem of stabilization by disregarding gold and White by means of a gold basis, while at the same time both plans reflect the peculiar economic interests of their respective countries.

* * *

The Soviet public, naturally, cannot remain indifferent to such economic plans for post-war settlements as are now under discussion in Allied countries. The important part which post-war proposals for currency stabilization occupy in these economic plans is quite understandable.

The peculiar character of the economic system of the Soviet Union determines its position on the question of currency stabilization.

As a government responsible for the conduct of foreign trade, the Soviet Union, like England or the United States, is interested to see that the currency of those countries with which we are engaged in trade should remain stable, that the normal progress of foreign trade should not meet any obstacles in the nature of currency speculation in other countries. If all of the foreign trade of the Soviet Union with the rest of the world could be conducted on a basis of a gold currency with a fixed value, then undoubtedly international trade would be greatly facilitated.

As far as the currency of the Soviet Union is concerned, our prices, as is well known, and hence the purchasing power of the ruble in the domestic turnover of goods, are determined by plan. In view of this, the internal stability of the Soviet currency is secured by a method entirely different from those of other countries. Similarly, the possibility of any sort of proposals affecting the economic policy of the Soviet Union coming from any future outside organization, whether an international bank or stabilization fund, is out of the question.

On the other hand, the Soviet Union unquestionably is interested in undertakings and measures capable of accelerating the reconstruction of its economy along with the economies of other war-ravaged countries. This is a question of the greatest significance to the Soviet Union in its evaluation of the various financial plans.

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[4] The published texts of the White Plan do not mention any requirement to remove tariffs, quotas or bans against imports. The White Plan does refer to the elimination of foreign exchange controls, bilateral clearing arrangements, multiple currency devices, and discriminatory foreign exchange practices.—The Editor.

[5] Editorial Note — The figures quoted above do not appear to accord with the quota formula proposed in the White Plan. The quotas would appear to be distributed somewhat as follows:

United States	27%
British Empire	23
Soviet Union	8
China	6
Latin America	10
Europe	18
All other	8

[6] Editorial Note — Neither the text of the proposed Bank plan nor the preamble and introductory statement by Secretary Morgenthau include among the purposes of the Bank the stabilization of prices, the elimination of tariff barriers, or the control of economic and financial crises.

Senator Austin On Foreign Relations Comm.

Sen. Warren R. Austin (Republican), Vermont, advocate of post-war international collaboration, was named by the Senate Republican conference on Feb. 18 for membership on the Senate Foreign Relations Committee. Associated Press advices from Washington, reporting this, added:

"The nomination, subject to automatic Senate approval, was agreed upon at a meeting at which Senator Austin gave up his post on the Judiciary Committee in order to take over the new assignment.

"He fills a vacancy created by the death of Senator Van Nuys, Democrat, of Indiana.

"The conference named Sen. Harlan J. Bushfield, Republican, of South Dakota, to replace Senator Austin on the Judiciary Committee. Senator Bushfield will relinquish his assignment on the Post Office Committee.

"The assignment of Senator Austin to the Foreign Relations Committee will give the minority nine of the 23 members, since Sen. Robert M. La Follette, Progressive, of Wisconsin, is listed with the minority."

The News Behind The News

(Continued from first page)

of the backward nations. To her, we appear to be a golden plutocracy. Even the little island of Britain, with practically no natural resources, has been obviously much richer than Russia, as every child knows.

Ickes has clearly miscalculated what is wealth. Even his 12-trillion-dollar figure is not so fabulous as his story, his woefully false propaganda story, that resources are riches.

What then is wealth? The only worth of ore in the ground is what profit someone can make out of it by digging it up. Unless it is profitable to dig it, and use it, no one will do so. So also with General Motors, and all other factory resources. Their only worth is what profit someone can make out of them by using them.

If General Motors cannot sell cars at a profit, its value would drop to practically nothing. A second-hand man would buy only if he could make a profit out of use and selling the brick. If every one already had more than enough second-hand bricks, its value would be exactly zero, because no one could make a profit out of its use.

If taxes are too high for profitable operation, if Government regulations are too confusing, if no labor is available, if wage costs are too high, if, for any reason at all it becomes unprofitable to dig Mr. Ickes' 12 trillion dollars out of the ground, his ores have no value.

Good jobs, good pay for workers, security of livelihood for themselves and their families, all depend upon maintaining the profit incentive. Profits do not alone go to the boss or the owner. They determine the wage rate. They furnish money for expansion and reserves. They are distributed to stockholders who buy the products and thereby create a larger market.

But most important, they furnish the taxes through which this terrific war debt must be paid and financed. Taxes are levied on net earnings, not gross. Without profits, the Treasury would not collect a cent in taxes, but from general widespread profits the Treasury can collect great sums from a lower rate of taxation.

The debt must be paid from the sweat of our brow. The dollars can only be paid by profits, profits for all, for the working man, for the manager, for the stockholder. Only when all are making money does money pour into the Treasury of the United States.

You cannot pay the debt with ore in the ground, or with idle factories, or even with unprofitable employment of both work and capital.

Mr. Ickes does not know what wealth is. If he had wanted to hand out good propaganda to give the country some assurances for the future, he would have said his Administration proposes to create real national wealth in the country by maintaining profits for all. As it stands, his statement is really discouraging propaganda.

It shows he has a misconception of what is needed. It suggests he is carrying the debt so lightly in his own mind that he does not propose to do the things necessary to pay it off—as Mr. Roosevelt has promised.

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Would Have N. Y. City Voters Decide Whether They Favor Change In Selecting Judges

Voters of New York City should be given opportunity to say if they desire a change in the present system of selecting Judges and, if so, whether they favor the method suggested by Governor Dewey or some other plan, it is urged in a report made public on Feb. 27 by the Chamber of Commerce of the State of New York. The Legislature is requested to hold hearings and "take action as promptly as possible in furtherance of these objectives." The report, which was drawn by the Committee on Law Reform of which Gilbert H. Montague is Chairman, says that "sensitiveness of public opinion is probably the most potent factor in maintaining a high standard of integrity and competence in any judiciary, whether it be elected or appointed."

Commenting on the proposals submitted to the Legislature by Gov. Dewey on Feb. 16 last, which follow closely the proposals adopted about a week earlier by the Lawyers' Committee on Selection of Judges, First District, the report of the Chamber Committee says these proposals have three merits, viz.:

> First, they respect the deep-rooted instinct of the voters of this State to retain in themselves the right to elect their own judges.
>
> Second, the selection of the Judges to be voted upon will be continued in representatives elected by the voters. Today this selection is by conventions of delegates specially elected for that purpose by voters. Under these proposals, the selection will be by the Governor and the members of the Senate, all of whom are representatives elected by the voters. Under these proposals, it must be conceded that the selection will be made by representatives elected by the voters of the entire State, instead of by the voters of the judicial district, but this is now the case, under the existing system, in respect of Judges appointed by the Governor to fill vacancies between elections.
>
> Third, these proposals will not vest in any group or association of lawyers any power of selecting the Judges to be voted upon. Adventures of bar associations in judicial elections amply prove that voters do not like to have their Judges selected for them by groups or associations of lawyers. Lawyers, like other experts, should be on tap, not on top. Their advice, while it should not be decisive, is nevertheless important, and under these proposals there will be ample opportunity for groups and associations of lawyers to submit their advice and recommendations to the Governor, and to the Senate in hearings before the Senate Judiciary Committee, and to the voters in the campaign preceding the election of Judges by the voters.

Mr. Montague will present the report for adoption by the Chamber at the next monthly meeting today (March 2). Until it is acted upon by the Chamber, it represents only the views of the sponsoring committee.

Roosevelt Calls For Review Of Occupational Deferments—Armed Forces Short 200,000

Estimating that the armed forces are still short approximately 200,000 trained men, President Roosevelt on Feb. 26 ordered a review of all occupational deferments "with a view to speedily making available" the personnel required to carry on the war. The Associated Press Washington advices, Feb. 26, reporting this, added:

The President sent a memorandum to Paul V. McNutt, Chairman of the War Manpower Commission, and Major-General Lewis B. Hershey, Selective Service Director, saying selective service "has not delivered the quantity of men who were expected."

"The shortage which commenced to develop last September reached a total of 200,000 on December 31," he added. "This means that today we are still short approximately 200,000 trained men although the actual personnel shortage in the Army has been reduced to 150,000."

Urging that agriculture and industry release younger men physically qualified for military service, the President said the Army will not reach its planned January strength until some time in April, or even later if selective service "continues to fall behind on its quotas."

On Feb. 25 the Senate Agricultural Committee was advised by Major-Gen. Lewis B. Hershey that the military draft situation has become so tight that selective service may soon have to raise the age minimum for industrial deferments from 22 to 26 years.

The Associated Press makes known that Gen. Hershey, who directs Selective Service, appeared before the Committee to discount estimates that revised regulations for the deferment of farm workers might take half of the 1,700,000 farmers now excused from the draft because of their occupation. The press advices went on to say: "He appeared after four major farm organizations declared in a joint statement that new Selective Service rules would demoralize 1944 crop production. The Senate committee is investigating the situation.

"Gen. Hershey said that he seriously doubted that the new regulations would mean the drafting of 50% of the now deferred farmers, as estimated by the four farm organizations seeking relaxation of the new rules.

"Draft needs, he said, will average 240,000 a month until July 1.

"At the other end of the Capitol, Col. Francis V. Keesling, Jr., Selective Service legislative representative, simultaneously gave a House military sub-committee data on what manpower sources will have to be tapped for the 1,200,000 men needed between now and the end of June. This committee is also looking into draft deferments.

"One out of ten fathers whose draft classification on Feb. 1 was 3-A (dependency) will be inducted into the armed forces by July 1, Col. Keesling said, adding that a tightening of deferment procedure for young non-fathers appeared to be necessary in view of Selective Service's desire to pick up as many young non-fathers as possible in order to temporarily postpone the induction of family heads.

"He outlined this induction schedule for bringing the armed forces to 11,300,000 by July 1:

"From men who were in class 1A on Feb. 1, 420,000.

"From men who were in 3A on Feb. 1, 250,000.

"From youths becoming 18 between now and July 1, 325,000.

"That, he explained, would leave a deficit of approximately 200,000, adding that 'these must be obtained from registrants occupationally deferred or physically rejected,' with most of them coming from the group of 'non-fathers of the younger age brackets.'"

From Washington Ahead Of The News

(Continued from first page)

Similarly, these same sources are now working to prevent a Roosevelt - Barkley rapprochement. They are spreading the word through their columnists and their radio commentators, that the President is sorry he sent Barkley the placating message, that, at the time, he didn't realize how strongly Barkley had spoken in the Senate about him. Furthermore, he is going to carry on his fight against Congress, these sources assure us.

On this latter statement, they are unquestionably right. It is the President's only course, if he wants a Fourth Term. To get along with Congress, means wooing the Conservatives of his own party in Congress and to woo them to the extent they would insist upon, would mean renunciation of a Fourth Term. That is at the bottom of the cleavage and has been all along.

Mr. Roosevelt was assured by his intimates after the Congressional elections of 1942 that the vote was not against him and his Administration, but against the Congress. He has been working upon that tact ever since.

He is to pursue it, we are assured, first by vetoing any soldier vote legislation which Congress is likely to give him, and again, he is to send up another demand for a "real" tax bill. The political purpose of the former is obvious. On the second, the New Deal propagandists represent him as having broken all the political rules and to be showing courage, the sort, for example, that is needed to win the war. This on the grounds that a candidate for office doesn't usually campaign on an issue of increased taxes.

But Mr. Roosevelt doesn't intend to pursue it on this line. He is out to pose as the lone friend of the armed forces. He will couple this up with his demand that they be "given the opportunity to vote," by which he means the Federal bob-tailed ballot instead of the full State ballot which 46 State Governors have already said they would provide if Congress would just get rid of the matter.

On the question of additional taxes, the argument is to be on the lines that a selfish Congress wants to make the boys fight the war and then come back and pay for it. A lot of emotionalism has already been worked up on this and it is to be played for all it is worth, with mothers writing tear-dripping letters along the lines of some that have already appeared.

The plain fact is, of course, that by next July 1, the national debt will be, according to Mr. Roosevelt's own estimates, one quarter of a trillion dollars. So, if additional taxes of $8 billion are levied, the armed forces when they return, would have to pay one quarter trillion less $8 billion, or so to speak in connection with the Neal Deal argument. It is so ridiculous in this light that this writer is prepared to say that if the armed forces don't object to $242 billions we will fork up the other $8 billion for them in some way.

We think it is important to understand this demagoguery because it is the light in which the reconversion program will be administered unless there is a change of Governments next November. Take one other little bit of propaganda in connection with the vetoed tax bill, for example, the so-called timber clause. The propaganda behind this is that Doris Duke and other fair-haired people of wealth are buying up our timber lands, therefore the reactionary Congress voted them tax relief. This is the sort of propaganda that is filling up our wave lengths and getting into many of our best newspapers through unedited syndicated columns.

Major-General Miles Says We Must Learn To Use Armed Force To Prevent Another War

Major-General Sherman Miles, Commanding General of the First Service Command, in making his baccalaureate address at Symphony Hall in Boston to 481 degree candidates of the Massachusetts Institute of Technology on Feb. 27, said that they must learn to use armed force, the power of war, to prevent another war, since collective security would entail military force. Reporting this, a special dispatch on Feb. 27 from Boston to the New York "Times," added:

General Miles declared that we must not only win the peace but "we must also maintain that peace," because another war would destroy civilization as we know it.

"The isolationists will tell you that we need not become involved in foreign wars," he said. "The pacifists will tell you that after this, there will be no more wars for world conquest. Perhaps. But the burden of proof lies heavily against them. The facts are plain. Three such wars in our short national life, and we have not once found it possible to stand aside or to exert our strength with any celerity when we came in.

"And yet these great wars are ruinous, win or lose. There must be some alternative. It would seem that we must come to collective security, the preservation of peace by international cooperation. The decision, in embryo at least, is in the making today."

USSR And Monetary Stabilization

(Continued from first page)

a real value only when it circulates uninterruptedly upon the international market so it can fill the function of a means of exchange.

The Americans understand this and are trying to revive the movement of gold. Secretary of the Treasury Morgenthau has attempted to reassure the Americans, but events in Europe have made the gold problem more difficult.

According to the Johnson law, the Allies have to pay with gold for their war purchases, and today America has 17,000 tons of pure gold valued at $19,000,000,000. Like King Midas, everything the Roosevelt Administration touches turns to gold, and since the shipments of gold to America are steadily continuing, the United States can soon find herself with a serious situation.

Should gold no longer be used as the money metal, which is very possible, then its only use will be in industry for the production of luxury articles. Then, instead of having its value of $35 an ounce fixed by President Roosevelt and Secretary Morgenthau, it will assume a real commercial value like other metals which are fixed by the law of supply and demand.

In short, the Russian attitude toward gold, like that of the British, is a mixture of hope and wonder: hope that the U. S. Government will continue willing to give dollars for gold and wonder as to why it should do so.

Professor Varga's article touches only lightly on gold, toward the end. Most of it is devoted to the Keynes and White plans for monetary stabilization. While there is no reason to assume that Russia will remain aloof from all post-war international efforts to stabilize international exchange rates, it seems safe to infer from the Varga article that some of the features of the Keynes and White plans do not strike a responsive chord with the Russians.

The Keynes plan, Varga states, would give to the United Kingdom a quota "considerably higher than that of the United States, and almost 20 times as high as the quota of the Soviet Union." Pointing out the power of the governing board of the Clearing Union to demand from member countries internal economic data and adjustment of internal economic policies, Varga significantly expresses doubt "whether the governments of the great powers would be inclined to recognize such pretensions on the part of the governing board of the Clearing Union."

With the statement that the Keynes plan "cannot secure the stability of currencies after the war" except through the adoption of measures which are "hardly practicable" since they run "counter to the selfish interests of the ruling circles," Vargar seems to dismiss the Keynes plan.

For the White plan Varga has more encouraging comment. This plan Varga describes as "mobilization for international financial payments of the huge gold reserve of the United States which is not serving any other purpose at present." This reserve "and the favorable international balance of the United States would be capable of serving successfully the cause of the stabilization of currencies after the war." The fund planned by White, Varga concludes, "undoubtedly . . . may become a real factor in world economy and maintain the stability of currencies more effectively than the Clearing Union proposed by Keynes."

Proceeding to a discussion of the world reconstruction bank which has been proposed by White, obviously as an adjunct to economic and exchange stabilization, Varga becomes more critical. The aims of this bank Varga finds to be "in part Utopian." The bank, together with the proposed stabilization fund pursuing similar aims, would represent a gigantic economic force, Varga notes, "but it is far from clear whether the White plan in its present form has any chance of adoption, even in the United States.

Rosenman Did Not Write President's Veto Message

Stephen Early, White House Secretary, said on Feb. 28 that former Judge Samuel I. Rosenman had nothing to do with the writing of the tax veto message which last week precipitated a Congressional uprising against President Roosevelt. Noting this, Associated Press accounts from Washington on Feb. 28, added:

"Judge Rosenman, the President's counsel, has been popularly credited in the past with drafting or contributing to some of the Executive's important speeches. There has been considerable speculation over the authorship of the veto after it was criticized at the capitol as intemperate, and Majority Leader Barkley in the Senate even branded it an assault on the integrity of Congress. Mr. Barkley, who resigned as Democratic leader in protest against the veto, was unanimously reelected, and the tax bill was passed by both Houses over the veto.

"At Mr. Early's press conference today, a reporter asked about a story saying Judge Rosenman was reliably reported to have written the tax message.

"'That's an anonymous report,' Mr. Early first commented. 'Tell me who made the statement and I'll give you an answer to it.'

"He then hesitated a moment and then continued:

"'I think I'll tell you anyway, noting that this is anonymous. The Judge had nothing to do with the writing and did not write any portion of the tax veto message. And that's not anonymous. As a matter of fact, he didn't even see the message.'"

Fed. Reserve Governors Oppose Bill To Prevent Exchange Charges Absorption By Member Banks

A resolution urging the Board of Governors of the Federal Reserve System "firmly to oppose the passage" of the Maybank Bill and the Brown Bill, now before the Senate and House, respectively, was adopted unanimously by the Federal Advisory Council, President Matthew J. Fleming of the Federal Reserve Bank of Cleveland announced on Feb. 16. The announcement from the Reserve Bank states that the resolution, concurred in by the Board of Governors, reaffirms the Council's repeated belief that it is "both proper and necessary to prevent the evasion of Section 19 of the Federal Reserve Act by the device of absorbing exchange charges." The resolution continues:

"The practice of exchange absorption has become a serious competitive abuse, and is tending to draw deposits away from their natural trade areas and normal trade streams. This dislocation of funds may well cause embarrassment at the time of any future banking stress.

"The Council believes that the practice violates the intent of the Banking Acts of 1933 and 1935 respecting the prohibition against the payment of interest on demand deposits. The proposed bills legalizing exchange absorption run counter to all recent Federal legislation in that they create a preference in favor of the large depositor."

The bill to prevent the Federal Reserve System from enforcing the regulation (known as Q) designed to check absorption of exchange charges by member banks was approved by the House Banking and Currency Committee on Feb. 10 by a vote of 16 to 5. On that date Associated Press accounts from Washington stated that bankers from all parts of the country had appeared before the Committee to protest the regulation on the ground that it would seriously affect operations of smaller banks. The same advices said:

The Federal Reserve System had argued that absorption of the exchanges by member banks on items handled for correspondent banks was in effect the payment of interest on demand deposits, which is not permitted by law.

A bi-partisan House group sought on Feb. 28 to block the legislation that would permit continuation of the practive by banks of absorbing exchange charges, contending that some small banks in this way had been able to swell their deposits enormously. This was stated in Associated Press advices from Washington Feb. 28, which said:

"The opposition was led by three Republicans and two Democrats —Representatives Wolcott and Crawford of Michigan, Kean of New Jersey, and Ford of California and Patman of Texas—who as members of the House Banking Committee signed a minority report denouncing the legislation as 'a guise to permit the payment of interest under another name.'

"A majority of the committee, including Representative Spence (D.-Ky.), the Chairman, said the measure would not change existing practices among banking institutions nor validate a practice heretofore proscribed; that it would only preserve the status quo and eliminate 'the legally questionable ruling of the Board of Governors of the Federal Reserve System which would terminate such a practice'."

Under date of Feb. 17, the following was reported to the New York "Journal of Commerce" from its Washington bureau:

Enactment of pending legislation to legalize the absorption of bank exchange charges will result in withdrawals from the Federal Reserve System, members of the House Banking and Currency Committee declared here today in a sharply-worded criticism of the legislative move.

Dissenting from the action of the Committee in reporting the bill out to the House, three Republicans and two Democratic members of the group declared that legislation of exchange charges absorption will not only result in possible withdrawals from the system, but increase the number of non-par banks and the amount of exchange charges will have to be paid "either by the banking system or the public or both."

Representatives Jesse P. Wolcott (Rep., Mich.), Fred L. Crawford (Rep., Mich.), Robert W. Kean (Rep., N. J.), Thomas F. Ford (Dem., Calif.) and Wright Patman (Dem., Tex.) wrote a minority report calling on the House to reject the proposed legislation.

Their action sharpened the controversy which has attended discussions on the exchange charge question. The controversy developed after the Federal Reserve Board ruled last September that absorption of exchange or collection charges by member banks is a device for the payment of interest within the prohibition of Federal Reserve statute. Challenging the Federal Reserve position were numerous members of Congress spokesmen for smaller banks and the Federal Deposit Insurance Corporation. The FDIC denounce the Federal Reserve move for its alleged impact on some 2,500 small banks throughout the country said to depend on exchange charges as a source of revenue.

In the Banking and Currency Committee report, which favorably sent a bill legalizing exchange absorption to the House, the majority members of the Committee charged the Federal Reserve ruling would tend to "force universal par clearance," resulting in "far-reaching economic changes throughout the country." The bill, it was said, would protect small independent banking institutions and preserve States' rights. "The Federal Reserve Board ruling is a direct blow at the dual-banking system. By protecting the 2,500 small State-chartered banks from having their method of doing business interfered with by a Federal agency which has neither supervisory control over nor responsibility for them, Congress will preserve the rights of the States to maintain their independent banking system, the majority said.

In the advices from the Cleveland Reserve Bank Feb. 16 it was stated:

Opposition to the Maybank and Brown bills has been voiced by the Treasury Department and by Sen. Carter Glass of Virginia. Senator Glass, in a recent letter to Sen. Robert F. Wagner, Chairman of the Senate Banking and Currency Committee, said in part:

This proposed legislation, in my judgment, would entirely emasculate the statute prohibiting the payment of interest by banks on demand deposits which, you will remember, I fought for and obtained in the Bank Act of 1933. Senator Maybank's bill would authorize member banks to pay interest by absorbing exchange charges made by a comparatively small group of banks which do not pay their checks at par. Member banks of the Federal Reserve System cannot even make these charges nor do the non-member banks who participate in the par clearance system.

The bill is rankly discriminatory and lacking in frankness. Its enactment could have vicious and far-reaching effects upon the Federal Reserve System, both in the number of member banks and in the perpetuation of a par clearance system which has saved the nation's industry, commerce and agriculture millions upon millions of dollars. I am unalterably opposed to the bill.

It is reported that the bill introduced by Representative Brown (Dem., Ga.), had the support of the Federal Deposit Insurance Corporation.

According to Associated Press advices from Washington Jan. 25 the assertion was made that the regulation of the Reserve Board forbidding member banks to absorb exchange charges "is just one more way of saying private business should cease," this view being attributed to R. P. Holding, of Smithfield, N. C., before the House Committee.

The same advices stated:

Mr. Holding, President of the First Citizens Bank & Trust Company of Smithfield, with 22 branches and deposits aggregating some $60,000,000 at the close of 1943, said the new regulation "appears to be a blow at the private banking system and one calculated to lead the clearance through the Federal Reserve System." He expressed the belief that Federal Reserve member banks had not been injured to any extent by the exchange absorption practice prior to the issuance last fall of the regulation against it.

Representative Patman (D., Tex.) expressed belief there might be danger of banks bidding against one another for deposits from other banks by raising the amount of exchange they would absorb if the regulation were changed by Congress.

Living Costs Down In Industrial Cities

The cost of living for wage earners and lower-salaried clerical workers in January declined in 46 of 64 industrial cities surveyed by the National Industrial Conference Board. Living costs were higher in 14 of the cities, and remained unchanged in four of them. Under date of Feb. 27, the Board further reported:

"The largest decline, 1.2%, occurred in Syracuse. There was a drop of 1.0% in Spokane. Nowhere else was the decline as great as 1.0%. The largest increase, 0.6%, occurred in Bridgeport. For the United States as a whole, the cost of living remained unchanged.

"Living costs were higher this January than in January, 1943, in all cities for which comparable figures are available. Denver recorded the largest increase during the 12-month period with an advance of 5.0%. The smallest was shown in Portland, Oregon, where it rose only 0.1%. The cost of living for the United States as a whole stands 2.4% higher than a year ago, and 20.8% above January, 1941."

Nazis Arrange Trade Pact Between Sweden, Holland and Belgium

Stockholm advices Feb. 21 (Aneta) appearing in the New York "Herald Tribune" Feb. 22 stated: "German representatives have arranged a trade agreement between Sweden and occupied Holland and Belgium, it was officially announced today.

"According to the official communique, the agreement provides for a decrease in Swedish exports to the two countries, compared with 1943 'on account of the limited import possibilities of Netherlands and Belgian merchandise.'

"Netherlands imports into Sweden will be chiefly flower bulbs, chemicals, pharmaceutical products, salt, artificial silk, radio equipment and electro-technical products. Exports to Holland as last year will consist mainly of timber and machinery."

Temporary Board Of Trustees For Relief To Italy

Appointment of a temporary Board of Trustees for American Relief to Italy was announced on Feb. 18 by Joseph E. Davies, Chairman of The President's War Relief Control Board. Myron Taylor, American representative to the Vatican, Arturo Toscanini, Dr. Angelo Patri, Don Ameche and Major General John H. Hilldring, in charge of the Civil Affairs Division of the United States Army, have agreed to serve as trustees, with Mr. Taylor as Chairman. The trustees, Mr. Davies explained, will be authorized to employ a small staff at an office temporarily located at 57 William Street, New York City, and to make arrangements with the National War Fund for sending money to Italy for private relief as soon as conditions permit. The advices from The President's War Relief Control Board state:

"Mr. Davis indicated that The President's War Relief Control Board hopes that the appointment of the temporary trustees will lead to the formation of a national organization for American relief in Italy which will be entirely nonpartisan in character and will command the support of all Americans whatever their views on political questions in Italy, or their position on issues among Americans of Italian extraction in the United States.

" 'An American organization for relief in Italy,' said Mr. Davis, 'should be organized on a basis which will enable all Americans who wish to help Italy to join in a united program. Such an organization must command the support of the many persons who want to help because they have friends or relatives in Italy, as well as those who want to aid Italian reconstruction because of America's historic cultural ties with Italy.'

"The President's War Relief Control Board has been assured by the Civil Affairs Division of the Army, which represents the United States in the Allied Military Government (AMG) and the Allied Control Commission now controlling Sicily and southern Italy, that all supplies for which shipping space can be provided already are flowing into Italy and that essential needs are being met. The AMG also has provided for additional food without more shipping space by planting potatoes and wheat in reoccupied Italian soil.

"The Treasury Department and the War Department announced last week that facilities now are provided for limited personal remittances to individuals in Sicily through American banks. At present no other private relief is available for Italian civilians. It is anticipated, however, that the time soon will arrive when some private relief funds can be used in Italy under conditions specified by the AMG and the Allied Control Commission.

"Should direction of relief in Italy be transferred, at a later date, to UNRRA, private agencies will operate in Italy under the coordinating authority of that agency.

"The National War Fund in some of its local campaigns has indicated that it is prepared to contribute, from its contingent fund, amounts which reasonably may be needed in the near future. For this reason The President's War Relief Control Board has not authorized any public solicitation of funds for Italian relief at this time."

Global Bimetallism Advocated By Prof. Michell As Medium For World Trade

Global bimetallism was advocated on Feb. 20 by Prof. Humfrey Michell, Canadian economist, as a sound system of hard money that would function satisfactorily as a medium for world trade and avert a repetition of the disastrous breakdown of monetary systems that followed in the wake of the first World War.

Attempts by a single country to maintain a bimetallic standard have failed and always will fail, observes Prof. Michell, Professor of Political Economy at McMaster University, Hamilton, Ont., but a world-wide bimetallic standard is perfectly practicable. He adds:

"Whatever difficulties would be encountered, and they would be few, are all surmountable. Nothing need stand in its way. Agreement among the victorious allies and the announcement that silver would be accepted in addition to gold in international payments at a fixed and universal ratio of convertibility would be sufficient to put worldwide bimetallism into operation at once.

"The fact that a universal bimetallic standard is agreed upon would allow the devastated and impoverished nations of Europe and Asia to restore their domestic currencies, get rid of their worthless paper and mint silver coins that would possess unlimited legal tender. In this way their monetary systems would be set upon a firm basis and confidence restored to countless poor people, bewildered and exasperated by paper notes whose value is partially or wholly non-existent."

The Canadian economist cites the arguments in favor of international bimetallism in the 11th of a series of papers on the monetary question published by The Monetary Standards Inquiry under the direction of Herbert M. Bratter. According to the organization only four steps would be involved in agreement between nations to establish international bimetallism so that it would work, says Prof. Michell. He lists them as follows:

(1) A fixed universal mint or legal ratio of silver to gold, agreed upon and put into effect with free convertibility. of one metal with another, subject to certain limitations. This ratio must be fixed at or near that of the two metals ruling in the bullion market at the time.

(2) Gold and silver coins must be put into free circulation and all banks be required to exchange their notes for gold and silver at a fixed proportion of the two metals.

(3) All silver coins must be restored to a fineness of 925 parts in 1,000 and given unlimited legal tender value.

(4) The mints of the various countries must be required to accept silver coinage to an unlimited amount, charging a small "brassage" fee for their services.

Prof. Michell argues that an international bimetallic standard will allow the foreign exchanges to function on a bullion basis with automatic settlement of balances by the precious metals, steadying the exchanges and preventing violent departures from par. He explains that the upper and lower limits of the specie points stand as the terminals beyond which, save in exceptional circumstances, the fluctuations of the exchanges will be confined.

"It has never been questioned that an international bimetallic system will work," he concludes. "Nothing whatever stands in its way and its success is assured."

Text Of Barkley Resignation Speech In Senate Protesting Roosevelt Veto Of Tax Bill

(Continued from page 917)

riod of 32 years. Unless I am misinformed, that constitutes a longer period of service than can be claimed by any other previous Kentuckian who has served in either branch of the Congress. When my present term in the Senate shall have expired, I will have served in this body for 18 years continuously, which is a longer period than any previous Kentuckian can claim for continuous service in the Senate.

Mr. President, out of the fullness of my heart, I entertain a profound gratitude to the people of my State for giving me the opportunity to serve them and the Nation during this tragic period of our history. On the 27th day of next July I shall have served as majority leader of this body for seven years. You may be surprised to know, Mr. President, that, so far as I have been able to trace the record back in senatorial history, this is nearly twice as long as any other man of any political party has served as majority leader of this body.

Mr. President, this is the first time during that long service, which I had thought was honorable, when I have been accused deliberately of voting for a bill that constituted a relief measure impoverishing the needy and enriching the greedy.

Mr. President, for 12 years I have carried to the best of my ability the flag of Franklin D. Roosevelt. For the past seven years I have carried the flag of this administration as majority leader of the Senate, and during these years I have borne that flag with pride because I felt that President Roosevelt in himself in the great crisis in the history of our country and the world constituted a dynamic leader for whom the people yearned. I dare say that during the past seven years of my tenure as majority leader I have carried that flag over rougher territory than was ever traversed by any previous majority leader. Some times I have carried it with little help here on the Senate floor, and more frequently with little help from the other end of Pennsylvania Avenue.

Whether I have made a good majority leader, an indifferent majority leader, or a bad majority leader, the record itself will speak. There is nothing in that record that I would now change; there is nothing in that record that I would not repeat under the same circumstances that existed during this course of my legislative history. But, Mr. President, there is something more precious to me than any honor that can be conferred upon me by the Senate of the United States or by the people of Kentucky or by the President of this Republic, and that is the approval of my own conscience and my own self-respect. That self-respect and the rectitude of that conscience I propose on this occasion to maintain.

I thank Heaven that my future happiness does not depend upon whether I shall retain the post of majority leader of the Senate for another hour. As proof of that, Mr. President, and in confirmation of this statement, I have called a conference of the Democratic majority for 10:30 o'clock tomorrow morning in the conference room of the Senate Office Building, at which time my resignation will be tendered and my services terminated in the post which I now hold at this desk.

Before leaving it, Mr. President, I wish to say that I have disagreed many times with my colleagues here on both sides of the political aisle; but I have sought to earn their respect and their esteem. Before I depart from this station I wish to express my deep appreciation for the courtesies which I have uniformly received. I shall carry with me to my dying day the most sacred memories of long and honorable service in the two branches of the Congress of the United States.

Mr. President, let me say, in conclusion, that if the Congress of the United States has any self-respect yet left it will override the veto of the President and enact this tax bill into law, his objections to the contrary notwithstanding.

Prompt Enactment Of Legislation For Disposal Of Surplus War Plants Urged By U. S. Chamber

Sees Necessity Of Relinquishing Property In Manner To Encourage Competitive Efficiency Of Private Industry—Views In Harmony With Baruch Report

Prompt enactment of legislation establishing policies to govern the disposition of surplus war plants and supplies is urged in a report of a special committee of the U. S. Chamber of Commerce, released for publication Feb. 27. Warning is sounded that without proper policies "this country may be precipitated into a cycle of depression and unemployment that would have disastrous repercussions for years to come."

Principles favorable to private enterprise, which the Committee would enact into law for the guidance of an independent agency, are in general harmony with those advanced in the recent Senate Post-War Committee and Baruch reports, says the Chamber, which states that the report of its special committee, headed by Albert C. Mattei, of San Francisco, deals solely with the question of surplus property. Its program, however, would fit in with a broader plan covering also termination of war contracts, with which the disposal of surplus property is coupled in both the Senate Committee and Baruch reports. In a general statement of the problem, the report says:

"On the broad principle that our Government should withdraw from all business operations and return to private ownership plants, facilities and real estate at the close of hostilities, most of this property will have to be disposed of, and the manner of its disposal will have a profound effect upon our economy. If a competent plan for the handling of this problem is not implemented in advance, this country may be precipitated into a cycle of depression and unemployment that would have disastrous repercussions for years to come.

"There are only two methods of meeting this problem:

"First, it may be looked upon as a problem in liquidation, with the objective of recovering the maximum number of dollars in the shortest possible time. Such a policy, however, would interfere with the conversion of our economy to a normal peacetime basis and create widespread unemployment.

"Second, the issue may be regarded as an economic problem with the objective of returning the surplus property to the private economy in such a gradual and carefully planned manner as to have the minimum detrimental effect upon trade and national income.

"A procedure of orderly and efficiently administered handling of war surpluses is the only one which can be countenanced in contemplation of the huge magnitude of such surpluses and the great need that will exist for the prompt resumption of civilian production on an adequate scale to facilitate our transition from war to peace. These surpluses must be so demobilized as to preserve the stability and productivity of the national economy and avoid unnecessary interference with the maintenance of a high level of private employment.

"Competent handling of the problem of surplus war property requires that passage of legislation directed to two important ends, namely—

"(a) The setting up of a new, independent commission to administer the demobilization program, and,

"(b) The establishment of basic principles and policies to guide the commission in the conduct of its operations.

"This legislation should be enacted without delay, because the ultimate magnitude of the problem is still subject to some degree of control, if surpluses beginning to show up can be stopped in their incipient stages of development by properly coordinated measures."

The Chamber also states that basic principles and policies relating to the disposition of war plants and equipment and real estate, which the Committee proposes for enactment into law, include the following:

"(1) The underlying objective in bringing about the utilization of surplus war plants and equipment should be the transfer of these properties to our competitive economy under terms and conditions creating minimum disturbance to production and employment.

"(2) Decision should be made at the earliest possible moment as to which plants and equipment, and other facilities and real estate must be retained for essential military purposes. The remainder should be earmarked for orderly demobilization to private industry and such plants and other facilities as are not suitable for such disposal should be scrapped.

"(3) Disposal of plants, other facilities and real estate by the Government should be handled in such a manner as to encourage competitive efficiency on the part of private industry. In this disposal the welfare both of the nation and of the locality should be taken into consideration, but in no case should any particular locality or enterprise be subsidized or given any preferential advantage at the expense of the taxpayers generally or in any other manner.

"(4) As a broad principle, surplus plants and other facilities and real estate should be sold and not leased. They should be sold, where possible, for cash. Where they must be sold on extended terms substantial down payments should be required. Except in unusual circumstances the sale of surplus plants should not be deferred by resort to leasing.

"(5) Prompt removal of surplus government-owned machinery, tools, and equipment from plants is essential to the process of conversion to normal production. The same need for prompt action exists with respect to finished inventories of goods and work in progress, which must be removed from the plants before normal production can be expected.

"(6) Disposal of surplus machinery and equipment removed from a war plant or other facility should not be limited to 'plant lots,' but should be made available where necessary in small lots, or on an individual unit basis. So far as practicable the machinery and equipment should be redistributed by the industry that produced them."

The committee proposes the following principles to govern disposal of surplus supplies and materials:

"(1) The underlying objective in the disposal of surplus war supplies and materials should be their economic use in the United States, or their disposal abroad for the ultimate benefit of the American economy.

"(2) This should be done.— (a) with the minimum disruption of production and trade; and (b) with the least practicable interference with normal employment.

"(3) However, surplus commodities should be disposed of as rapidly as consumers demand such goods during the period which must elapse before normal production can be resumed. This policy will help to minimize any possible post-war inflation.

"(4) On the other hand, the Government should not push the sale of surplus goods at a time when business generally is uncertain or declining, so as not to induce or accentuate a depression.

"(5) Quantities of surplus supplies and materials released for sale should be in lots which will permit participation by small as well as large manufacturers, wholesalers, and retailers; and any price differentials between large and small lots should be limited to actual differences in cost of handling and distribution.

"(6) So far as practicable, surplus supplies and materials should be redistributed by the industry that produced and distributed them."

Stress is placed upon the desirability of the appointment of specific industry advisory committees, under a statutory authorization. Members of such committees, it is stated, should be truly representative of the recognized functions in production and distribution and should be from large and from small units, with due recognition for geographic considerations.

New Members Named To Graduate School Of Banking Faculty

Several new members have been added to the faculty of the Graduate School of Banking, institution for advanced banking studies conducted by the American Bankers Association for bank officers at Rutgers University, it was announced on Feb. 18 by Dr. Harold Stonier, Executive Manager of the ABA, who is Director of the school. The new faculty members, whose names were announced in conjunction with the issuance of the school's tenth annual catalogue, are:

Robert W. Bachelor, Assistant Economist of the ABA, New York City; Arthur Jansen, general partner and Manager of the Analytical and Research Department of the firm of W. E. Burnet & Co., New York City; Graham Nash, Executive Vice-President and member of the Board of Managers of the Bloomfield Savings Institution, Bloomfield, N. J., and John Wetzel, Comptroller, the Bayside National Bank, Bayside, Long Island, N. Y. The death of Mr. Wetzel has since been announced, his death having occurred unexpectedly.

The 1944 session of the G. S. B. will begin June 19, according to the catalogue, and will be its tenth annual resident session at Rutgers University. Founded in 1935, the school has thus far graduated 1,131 bank officers, who have pursued a course of study of two years of extension work and attendance at three summer sessions of resident study at Rutgers.

The courses offered by the school deal with the major subjects of Commercial Banking, Savings Management, Investments, and Trusts. However, the studies also embrace economics, law, philosophy, and banking and government. Upon graduation, each student is required to have pursued a major and minor course, completed the required extension work, attended three summer sessions, and prepared a thesis on a phase of his major subject.

A sketch of the activities of the new members of the G. S. B. was announced by the ABA as follows:

"Mr. Bachelor, who holds the degree of Master of Business Administration of the University of Washington, has been a member of the Association staff since 1941 and formerly was an economist with the United States Tariff Commission in Washington, D. C., and the Federal Reserve Bank of San Francisco. He will teach a new G. S. B. course on Sources of Statistical Information.

"As one of the principal contributors to 'Barron's' national financial weekly, Mr. Jansen is regarded as an authority on railroad and public utility finance. He holds the degree of Bachelor of Science from Columbia University and will teach Investments.

"Mr. Nash, who was awarded the Bachelor of Science Degree by Princeton University, was formerly associated with the Bankers Trust Company in New York City. He has served on numerous committees of both the ABA and the New Jersey Bankers Association. He is a member of the ABA's Committee on Federal Legislation, of its sub-committee on Mortgage Financing and Urban Housing, and of the committee on Real Estate Mortgages of the ABA's Savings Division. He will teach in the course on Savings Management and Real Estate Financing. He is a graduate of the G. S. B., Class of 1940."

Formerly associated with the Ridgefield Park Trust Co. in Ridgefield Park, N. J., and the Hudson Trust Company, Union City, N. J., Mr. Wetzel was a graduate of the Graduate School of Banking, Class of 1939.

Stephan in WPB Post; Reed Joins Thompson Agy.

Vice-Chairman Donald D. Davis announced on Feb. 19 the appointment of Frederick F. Stephan as Assistant Director of the Statistics Division and Chief of the General Statistics Staff, Bureau of Planning and Statistics, WPB, to succeed Dr. Vergil D. Reed who has resigned to re-enter private business. The WPB states:

"Except for a period of service with the War Manpower Commission from June, 1942, to September, 1943, as chief of statistics service, Mr. Stephan has been with the War Production Board and its predecessor agencies since March, 1941, as a consultant in research and statistics. Since September, 1943, he has been a special assistant on the staff of the Operations Vice-Chairman, WPB. Before entering Government service, Mr. Stephan was Professor of Statistics and Sociology at Cornell University and Secretary of the American Statistical Association.

"Dr. Vergil D. Reed leaves WPB to join J. Walter Thompson Co., New York advertising firm, as associate director of research in charge of market research. He entered Government service in September, 1935, as chief of the retail and wholesale trade division, Bureau of Census, Department of Commerce. He was assistant director of the Bureau of the Census from June, 1936, to March, 1942. He joined the War Production Board in March, 1942, in the post he now relinquishes."

Electric Output For Week Ended Feb. 26, 1944, Shows 14.2% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Feb. 26, 1944, was approximately 4,444,939,000 kwh., compared with 3,892,796,000 kwh. in the corresponding week a year ago, an increase of 14.2%. The output for the week ended Feb. 19, 1944 was 14.3% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Feb. 26	Feb. 19	Feb. 12	Feb. 5
New England	7.5	5.9	5.7	5.0
Middle Atlantic	13.8	13.4	14.2	14.3
Central Industrial	10.5	10.3	10.9	9.6
West Central	7.1	7.5	7.0	5.4
Southern States	14.4	16.8	18.8	16.9
Rocky Mountain	9.4	10.9	12.1	12.0
Pacific Coast	29.5	27.5	27.7	28.7
Total United States	14.2	14.3	15.1	14.2

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
Nov. 6	4,413,863	3,761,961	+17.3	3.368,690	1,520,730	1,798,164
Nov. 13	4,482,665	3,775,878	+18.7	3.347,893	1,531,584	1,793,584
Nov. 20	4,513,299	3,795,361	+18.9	3.247,938	1,475,268	1,818,169
Nov. 27	4.403,342	3,766,381	+16.9	3,339,364	1,510,337	1,718,002
Dec. 4	4,560,158	3,883.534	+17.4	3,414,844	1,518,922	1,806,225
Dec. 11	4,566,905	3,937,524	+16.0	3,475,919	1,563,384	1,840,863
Dec. 18	4,612,994	3,975,873	+16.0	3,495,140	1,554,473	1,860,021
Dec 25	4,295,100	3,655,926	+17.5	3,234,128	1,414,710	1,637,683
Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Jan. 1	4,337,387	3,779,993	+14.7	3,288,685	1,619,265	1,542,000
Jan. 8	4,567,959	3,952,587	+15.6	3,472,579	1,602,482	1,733,810
Jan. 15	4,539,083	3,952,479	+14.8	3,450,468	1,598,201	1,736,721
Jan. 22	4,531,662	3,974,202	+14.0	3,440,163	1,588,967	1,717,315
Jan. 29	4,523,763	3,976,844	+13.8	3,468,193	1,588,853	1,728,203
Feb. 5	4,524,134	3,960,242	+14.2	3,474,638	1,578,817	1,726,161
Feb. 12	4,532,730	3,939,708	+15.1	3,421,639	1,545,459	1,718,304
Feb. 19	4,511,562	3,948,749	+14.3	3,423,589	1,512,158	1,699,250
Feb. 26	4,444,939	3,892,796	+14.2	3,409,907	1,519,679	1,706,719

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Feb. 29	120.25	111.25	118.20	116.41	111.25	100.49	104.31	113.50	116.22
28	120.22	111.25	118.20	116.41	111.25	100.49	104.31	113.50	116.22
26	120.21	111.07	118.20	116.22	111.07	100.32	104.31	113.50	116.22
25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
24	120.26	111.25	118.20	116.41	111.25	100.32	104.31	113.50	116.22
23	120.27	111.25	118.20	116.22	111.25	100.49	104.14	113.70	116.41
22	STOCK EXCHANGE CLOSED								
21	120.11	111.25	118.40	116.41	111.25	100.32	104.31	113.50	116.41
19	119.96	111.25	118.20	116.41	111.07	100.49	104.31	113.50	116.41
18	119.96	111.25	118.40	116.41	111.07	100.49	104.31	113.50	116.41
17	119.94	111.25	118.20	116.22	111.07	100.49	104.14	113.50	116.41
16	119.89	111.25	118.20	116.41	111.07	100.49	104.31	113.50	116.41
15	119.83	111.25	118.20	116.41	111.25	100.49	104.48	113.50	116.41
14	119.76	111.25	118.20	116.22	111.25	100.49	104.31	113.50	116.41
12	STOCK EXCHANGE CLOSED								
11	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
10	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
9	119.70	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.61
8	118.73	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.61
7	119.68	111.25	118.40	116.22	111.07	100.49	104.14	113.50	116.61
5	119.50	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
4	119.45	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
3	119.41	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
2	119.41	111.25	118.20	116.22	111.25	100.32	104.14	113.31	116.41
1	119.42	111.25	118.40	116.22	111.07	100.32	104.14	113.31	116.61
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
High 1944	120.27	111.44	118.80	116.41	111.25	100.49	104.48	113.70	116.61
Low 1944	119.41	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year ago									
Feb. 27, 1943	117.11	109.24	117.60	115.43	110.15	95.62	100.16	112.93	115.43
2 Years ago									
Feb. 28, 1942	116.38	106.56	115.82	113.31	107.62	91.62	97.00	110.15	113.31

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Feb. 29	1.81	3.10	2.74	2.83	3.10	3.72	3.49	2.98	2.84
28	1.81	3.10	2.74	2.83	3.10	3.72	3.49	2.98	2.84
26	1.81	3.11	2.74	2.84	3.11	3.73	3.49	2.98	2.84
25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
24	1.81	3.10	2.74	2.83	3.10	3.73	3.49	2.98	2.84
23	1.81	3.10	2.74	2.84	3.10	3.72	3.50	2.97	2.83
22	STOCK EXCHANGE CLOSED								
21	1.82	3.10	2.73	2.83	3.10	3.73	3.49	2.98	2.83
19	1.83	3.10	2.74	2.83	3.11	3.72	3.49	2.98	2.83
18	1.83	3.10	2.73	2.83	3.11	3.72	3.49	2.98	2.83
17	1.83	3.10	2.74	2.84	3.11	3.72	3.50	2.98	2.83
16	1.83	3.10	2.74	2.83	3.11	3.72	3.49	2.98	2.83
15	1.84	3.10	2.74	2.83	3.10	3.72	3.48	2.98	2.83
14	1.84	3.10	2.74	2.84	3.10	3.72	3.49	2.98	2.83
12	STOCK EXCHANGE CLOSED								
11	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
10	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
9	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.82
8	1.84	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.82
7	1.85	3.10	2.73	2.84	3.11	3.72	3.50	2.98	2.82
5	1.86	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
4	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
3	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
2	1.87	3.10	2.74	2.84	3.10	3.73	3.50	2.99	2.83
1	1.87	3.10	2.73	2.84	3.11	3.73	3.50	2.99	2.82
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.81	3.09	2.71	2.83	3.10	3.72	3.48	2.97	2.82
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year ago									
Feb. 27, 1943	2.06	3.21	2.77	2.88	3.16	4.03	3.74	3.01	2.88
2 Years ago									
Feb. 28, 1942	2.10	3.36	2.86	2.99	3.30	4.30	3.94	3.16	2.99

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Steel Operations Maintained—Activity Well Sustained—Orders Show Little Slackening

"Striving to push production a notch or two above recent high pressure levels, the steel industry is making a good start against March goals which include record requirements that will tax every plate mill in the nation," states "The Iron Age" in its issue of today (March 2), further adding:

"The volume of orders reaching steel companies shows little slackening. Plates, sheets and shapes this week are tighter, while heavy bars, small size lapweld pipe and other items are in brisk demand. Requirements reflect the fast tempo of the invasion program with its careful planning for every eventuality.

"Requirements for the Navy's 1945 pontoon program, for which bids on steel are imminent, will be high, including sheets, plates, floor plates, bars and structurals. Two Army Ordnance packaging programs are under consideration, which potentially involve requirements of hot rolled sheets, as previously reported, and black plate, respectively.

"Two serious strikes were ended a few days before March began, the one at the Carnegie-Illinois Clairton by-product works and that at Great Lakes Steel Corp., Ecorse, Mich.

"Consolidations and other shifts which will place the steel industry in a more realistic position in the light of current and post-war actualities gradually are appearing, and more moves can be expected in the near future. Sheffield Steel Corp. is closing its St. Louis works. RFC has ordered work stopped on a DPC-built blast furnace at the Monessen, Pa., plant of Pittsburgh Steel Co. A move which will concentrate production at the Midwestern plant is expected to be revealed soon and it is known that several other producers are contemplating similar steps.

"The controversy over amortization of new freight cars was clarified during the past week. There will be no argument over cars built from now on. The railroads will get WPB certification under which the cost can be amortized over a five-year period. Prior to October, 1943, the railroads obtained certificates from the War Department. With respect to cars ordered between October, 1943, and January, 1944, discussions are still under way and a satisfactory solution of the problem is expected soon. Not many cars were ordered during that period. With the 1944 freight car production goal having been raised from about 40,000 to 60,000 domestic units, the third and fourth quarters of this year should see a record in freight car construction—that is, a record considering the times.

"In the passenger car field, proposals from the railroads have opened up spirited competition between makers of aluminum, stainless steel and other materials. This competitive spirit has been keen in other fields recently when prospective business appeared."

The American Iron and Steel Institute on Feb. 28 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 97.5% of capacity for the week beginning Feb. 28, compared with 97.7% one week ago, 96.8% one month ago and 98.2% one year ago.

The operating rate for the week beginning Feb. 28 is equivalent to 1,746,500 tons of steel ingots and castings, compared to 1,750,000 tons one week ago, 1,734,800 tons one month ago, and 1,700,500 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Feb. 28 stated in part as follows:

"Activity in all major steel products is well sustained with emphasis on sheets and plates and some quickening in hot-rolled and cold-drawn carbon bars.

"Leaders in demand for plates and sheets are landing craft and gasoline refinery programs, with a heavy requirement for sheets looming just ahead to implement a steel container program. While the latter is not announced in definite terms tonnages are believed to be large, sufficient to make sheets the most needed of all steel products.

"Bars are in more diversified demand and shell steel needs are heavier in some directions for some small sizes of ammunition as well as large. Deliveries are being extended and while April is possible most orders are booked for May and June and on some larger sizes even later.

"In general sheets are promised for August and September, the narrower sizes easily obtainable in the earlier month. Occasional cold-rolled tonnages can be placed for July shipment.

"Pig iron is in sufficient supply and repaired blast furnace stacks are not returned to service immediately where demand is slack. Melters in some cases are buying only for one month instead of the normal practice before the allocation period, of covering by quarters. This is due in part to a feeling prices may be lower because of increased supply.

"Wire mills in the East, while demand for their products continues high, mainly in specialties requiring much processing, are not pressed for steel and a number of open hearths are idle, ingot production in this branch of industry being about 85% of capacity. Welding rod wire demand is at the rate of about 500,000 tons a year and recently installed capacity has brought production into better alignment with requirements. The situation in wire rods is much easier but mills are sold far ahead in many wire products.

"Easiness in scrap continues and prices of specialties are below ceilings in various areas, though on the standard grades no weakness has developed. Consumers are well supplied even in the face of diminished volume of collections and general conditions are in marked contrast with a year ago."

Court Dismisses Action Against New York Stock Exchange In Whitney Case

Holds Exchange Not Liable For Damages When Disciplinary Action Had Been Taken

In a decision on Feb. 25, the U. S. Circuit Court of Appeals affirmed dismissal by the District Court of two complaints for damages against the New York Stock Exchange for losses suffered in the insolvency in 1938 of Richard Whitney & Co., the Court ruling that while the Stock Exchange has an obligation to discipline its members for inequitable conduct, this responsibility does not make the Exchange liable for damages suffered by investors when those damages are not the result of the Exchange's failure to take such disciplinary action. This was noted in the New York "Times" of Feb. 26, which added that with this holding Judges Thomas W. Swan and A. N. Hand sustained the Federal District Court's dismissal of the two actions brought against the Exchange. The actions were filed against Arthur H. Franklin, treasurer of the Stock Exchange, by the New York Yacht Club, of which Mr. Whitney was treasurer, for $105,184, and Mary Stevens Baird, a client of the Whitney firm, who sought recovery of $98,758.

In a dissenting opinion, rejecting the generally accepted theory that the private-club status of the New York Stock Exchange protects it from liability for the acts of its members, Judge Charles Clark, of the United States Circuit Court of Appeals, held that the Securities and Exchange Act gives private investors the right of action against the Exchange if they suffer losses because of its failure to enforce its rules under the Act. Reporting this, the New York "Herald Tribune" of Feb. 26 had the following to say:

"The majority opinion, acceding to the view that 'the Stock Exchange violated a duty when it failed to take disciplinary action against Whitney on Nov. 24, 1937,' when it first learned of his defalcations, held nevertheless that the judgment of the District Court must be affirmed.

"Both plaintiffs contended that the Stock Exchange aware on Nov. 24, 1937, that Whitney, a trustee of their securities, had hypothecated the securities without their knowledge or consent, should have taken disciplinary action against Whitney, a former President of the Exchange. . . .

"Whitney's suspension by the Exchange did not occur until two month later, after his brother, George Whitney, of J. P. Morgan & Co., had advanced large sums "in an effort to save his (Richard Whitney's) name. . . .

"The majority opinion holds that 'there is no reason to suppose that action by the Stock Exchange on Nov. 24, 1937, would have brought relief to Richard Whitney or the plaintiffs,' inasmuch as his hypothecation at that time had been completed. The court points out, however, that 'to justify a judgment in favor of either plaintiff, such a breach of duty must have resulted in damage that could be traced to the breach.'

"'We can see no substantial resemblance between the duties of bailees or other fiduciaries and those of the Stock Exchange,' said the majority opinion. 'The duty of the former are to safeguard the property over which they have some right of control. In the case of the Exchange, there was no duty except to investigate the dealings and financial conditions of members and to suspend or expel members whom it had reason to believe had been guilty of conduct inconsistent with just and equitable principles of trade.'

"Judge Clark held that 'at that time it (the Exchange) should have required Whitney either to meet his obligations or to suspend.'

"The Stock Exchange, he wrote, 'was under a duty to take action against Whitney on Nov. 24, 1937, for the various violations of the Securities and Exchange Act or its rules, which it either knew or had reason to suspect. Its complete inaction for some two months was a dereliction of that duty.'"

Moody's Daily Commodity Index

Tuesday, Feb. 22	*
Wednesday, Feb. 23	249.4
Thursday, Feb. 24	249.5
Friday, Feb. 25	249.5
Saturday, Feb. 26	249.4
Monday, Feb. 28	249.2
Tuesday, Feb. 29	248.8
Two weeks ago, Feb. 15	243.6
Month ago, Jan. 31	243.3
Year ago, Feb. 27	247.1
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Feb. 21	249.5
Low, Jan. 5	247.0

*Holiday.

Wholesale Commodity Index Rose 0.2% In Week Ended Feb. 19 Says Labor Dept.

The Bureau of Labor Statistics' index of commodity prices in primary markets rose 0.2% during the week ended Feb. 19, according to the announcement on Feb. 24 by the U. S. Department of Labor, which states that higher prices for livestock and OPA action in allowing higher prices for furniture and wood pulp accounted for most of the advance.

At 103.3% of the 1926 average, the all-commodity index is 0.3% higher than at this time last month and about 1% over a year ago, says the Labor Department, which further reports:

"**Farm products and foods.** Led by an increase of 1.6% in livestock markets, average prices for farm products rose 0.7% during the week to the highest point since early in November. Cows were up about 5%; hogs, 1.6%; steers, 0.8%; and sheep, 0.3%. Cotton and wheat advanced slightly, while oranges and apples were considerably higher than for the preceding week. Quotations were lower for rye, alfalfa hay, eggs, lemons, and potatoes.

"Largely as a result of higher prices for fruits and for peanut oil, the foods group index rose 0.1%. Lower prices were reported for rye flour and for fresh pork. The index for the foods group has declined 0.5% in the past four weeks and it is 1.5% lower than at this time last year.

"**Industrial commodities.** Aside from increases of from $2.00 to $10.00 per ton, granted by OPA to producers of wood pulp to stimulate production, and higher ceilings for furniture, there were few outstanding price changes in industrial commodity markets. Goatskins declined 0.8%, partially offsetting the increase of the preceding week. Lower prices were reported for men's and boys' underwear by a large manufacturer. Moderate advances continued in prices for coal and certain petroleum products. A slight improvement in the demand for mercury brought prices up nearly 1%.

"In the building materials field, rosin advanced 2.5% and prices were also higher for common building brick in some areas."

The following notation is contained in the Department's announcement:

During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Jan. 22, 1944, and Feb. 20, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from Feb. 12 to Feb. 19, 1944.

WHOLESALE PRICES FOR WEEK ENDED FEB. 19, 1944
(1926=100)

						Percentage changes to Feb. 19, 1944 from—		
Commodity Groups—	2-19 1944	2-12 1944	2-5 1944	1-22 1944	2-20 1943	2-12 1944	1-22 1944	2-20 1943
All commodities	*103.3	*103.1	*103.1	*103.0	102.4	+0.2	+0.3	+0.9
Farm products	122.8	121.9	122.1	121.9	120.0	+0.7	+0.7	+2.3
Foods	104.1	104.0	104.2	104.6	105.7	+0.1	—0.5	—1.5
Hides and leather products	117.7	117.8	117.7	117.9	118.4	—0.1	—0.2	—0.6
Textile products	97.2	97.2	97.2	97.2	96.8	0	0	+0.4
Fuel and lighting materials	83.7	83.5	83.2	82.8	80.5	+0.2	+1.1	+4.0
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	—0.1
Building materials	113.7	113.7	113.5	113.4	110.0	0	+0.3	+3.4
Chemicals and allied products	100.4	100.4	100.4	100.4	100.3	0	0	+0.1
Housefurnishing goods	106.2	104.4	104.4	104.4	104.1	+1.7	+1.7	+2.0
Miscellaneous commodities	93.3	93.0	93.0	93.0	90.7	+0.3	+0.3	+2.9
Raw materials	113.0	112.4	112.4	112.3	109.8	+0.5	+0.6	+2.9
Semimanufactured articles	93.5	93.2	93.2	93.1	92.8	+0.3	+0.4	+0.8
Manufactured products	*100.6	*100.6	*100.5	*100.4	100.5	0	+0.2	+0.1
All commodities other than farm products	*99.2	*99.1	*99.0	*98.9	98.6	+0.1	+0.3	+0.6
All commodities other than farm products and foods	*98.2	*98.1	*98.0	*97.9	96.4	+0.1	+0.3	+1.9

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM FEB. 12, 1944 TO FEB. 19, 1944

Increases			
Furniture	3.7	Anthracite	0.4
Livestock and poultry	1.6	Bituminous coal	0.3
Paper and pulp	1.1	Cotton goods	0.3
Fruits and vegetables	0.9	Brick and tile	0.1
Other farm products	0.5	Paint and paint materials	0.1
Grains	0.1		
Decreases			
Hosiery and underwear	1.7	Other miscellaneous	0.2
Hides and skins	0.2	Meats	0.1
Other foods	0.1		

Civil Engineering Construction Volume $22,161,000 For Week

Civil engineering construction volume in continental United States for the short week due to the Washington's Birthday holiday totals $22,161,000. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 60% below the total for the corresponding 1943 week, and compares with $37,043,000 reported to "Engineering News-Record" for last week and made public on Feb. 24. The report added:

Public construction is 51% lower than in the 1943 week and private work is down 81% compared with the week last year. Federal construction, 57% below a year ago, is responsible for the public decline as State and municipal work is 351% higher.

The current week's construction brings 1944 volume to $274,396,000 for the eight-week period, a decrease of 48% from the $533,068,000 for the eight weeks of 1943. Private construction, $53,231,000, is 2% above last year, but public construction, $221,165,000, is down 54% due to the 11% decline in State and municipal and the 56% drop in Federal.

Civil engineering construction volumes for the short 1943 week, last week, and the holiday-shortened current week are:

	Feb. 25, 1943 (Four Days)	Feb. 17, 1944 (Five Days)	Feb. 24, 1944 (Four Days)
Total U. S. construction	$54,646,000	$37,043,000	$22,161,000
Private construction	15,203,000	2,293,000	2,959,000
Public construction	39,443,000	34,750,000	19,202,000
State and municipal	544,000	1,219,000	2,453,000
Federal	38,899,000	33,531,000	16,749,000

In the classified construction groups, gains over the preceding week are in commercial buildings, earthwork and drainage, and streets and roads. Increases over the 1943 week are in waterworks, earthwork and drainage, and streets and roads. Sub-totals for the week in each class of construction are: waterworks, $719,000; sewerage, $67,000; industrial buildings, $378,000; commercial building and large-scale private housing, $1,641,000; public buildings, $4,029,000; earth work and drainage, $5,725,000; streets and roads, $1,835,000; and unclassified construction, $7,767,000.

New capital for construction purposes for the week totals $2,977,000 and is made up entirely of State and municipal bond sales. The week's new financing brings 1944 volume to $158,801,000, a total that compares with $15,539,000 for the opening eight weeks of 1943.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Feb. 19, 1944, is estimated at 12,315,000 net tons, a decrease of 635,000 tons, or 4.9%, from the preceding week. Soft coal output in the corresponding week of 1943 amounted to 12,160,000 tons. Total production for the current year to date is 7.7% in excess of that for the same period last year.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Feb. 19, 1944, which includes Sunday, Feb. 13, was estimated at 1,432,000 tons, an increase of 8,000 tons (0.6%) over the preceding week. When compared with the production in the corresponding week of 1943, there was an increase of 274,000 tons, or 23.7%. The calendar year to date shows an increase of 7.2% when compared with the corresponding period of last year.

The Bureau of Mines also reported that the estimated production of by-product coke in the United States for the week ended Feb. 19, 1944, showed an increase of 700 tons when compared with the output for the week ended Feb. 12, 1944. The quantity of coke from beehive ovens decreased 7,300 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
(In Net Tons)

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	Feb. 19, 1944	Feb. 12, 1944	Feb. 20, 1943	*Feb. 19, 1944	Feb. 20, 1943	Feb. 20, 1937
Total, incl. mine fuel	12,315,000	12,950,000	12,160,000	89,825,000	83,369,000	72,751,000
Daily average	2,053,000	2,158,000	2,027,000	2,104,000	1,939,000	1,692,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§Feb. 19, 1944	¶Feb. 12, 1944	Feb. 20, 1943	Feb. 19, 1944	Feb. 20, 1943	Feb. 23, 1929
*Total incl. coll. fuel	1,432,000	1,424,000	1,158,000	8,944,000	8,340,000	12,429,000
†Commercial production	1,375,000	1,367,000	1,112,000	8,587,000	8,006,000	11,534,000
Byproduct coke—						
United States total	1,289,700	1,289,000	1,222,000	9,116,700	8,853,700	‡
Beehive coke—						
United States total	149,600	156,900	150,700	1,135,300	1,118,400	900,600

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In net tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended			
State	Feb. 12, 1944	Feb. 5, 1944	Feb. 13, 1943	Feb. 13, 1937
Alabama	413,000	397,000	389,000	304,000
Alaska	5,000	5,000	6,000	2,000
Arkansas and Oklahoma	100,000	102,000	108,000	100,000
Colorado	192,000	192,000	186,000	206,000
Georgia and North Carolina	1,000	1,000	1,000	1,000
Illinois	1,622,000	1,655,000	1,423,000	1,407,000
Indiana	557,000	590,000	505,000	483,000
Iowa	42,000	50,000	66,000	125,000
Kansas and Missouri	176,000	188,000	217,000	204,000
Kentucky—Eastern	1,000,000	1,003,000	947,000	629,000
Kentucky—Western	358,000	370,000	317,000	63,000
Maryland	37,000	40,000	38,000	41,000
Michigan	7,000	8,000	8,000	18,000
Montana (bituminous and lignite)	95,000	105,000	105,000	77,000
New Mexico	39,000	39,000	37,000	46,000
North and South Dakota (lignite)	62,000	51,000	64,000	79,000
Ohio	700,000	698,000	748,000	625,000
Pennsylvania (bituminous)	3,030,000	3,070,000	2,880,000	2,652,000
Tennessee	161,000	168,000	145,000	119,000
Texas (bituminous and lignite)	3,000	4,000	5,000	15,000
Utah	140,000	148,000	129,000	117,000
Virginia	441,000	423,000	406,000	294,000
Washington	35,000	35,000	42,000	56,000
*West Virginia—Southern	2,388,000	2,278,000	2,260,000	1,763,000
†West Virginia—Northern	1,077,000	1,020,000	961,000	715,000
Wyoming	218,000	209,000	205,000	164,000
‡Other Western States	1,000	1,000	2,000	¶
Total bituminous and lignite	12,950,000	12,850,000	12,200,000	10,305,000
§Pennsylvania anthracite	1,424,000	1,264,000	1,366,000	1,028,000
Total all coal	14,374,000	14,114,000	13,566,000	11,333,000

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada, and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Less than 1,000 tons.

Average Yield On Common Stocks Listed On Stock Exchange

In its Monthly Magazine for February, made available Feb. 25, the New York Stock Exchange states that "a shade more than 81% of all common stocks listed on the New York Stock Exchange are currently paying dividends when inroads upon corporate profits resultant from high Federal taxes and contract renegotiations are taken into account." It says, "it is realized that so high a percentage of dividend payers reveals a broad field of research for investors who desire income from their equities, and on the basis of income pursue inquiries into future prospects among securities." From the Journal of the Exchange we also quote:

"Since Jan. 1, a number of new common stock listings on the Board have occurred, but these could not change the picture presented by this statistical study which deals with common stocks listed at the end of 1943. There were then 845 stocks listed. Of these, 687 were on a dividend basis.

Division by Groups

"In approaching the matter of dividend yields at Dec. 31, 1943, prices the list was divided into groups by industries which the stocks represented. In the following table the yield in case of each group is the 'median' yield; that is, the price employed to figure the yield is the middle price of the stocks in each group—the price midway between the highest and the lowest at the year-end.

"Average yield distribution of 687 cash dividend payers by groups:

Industry—	Aver. Yield (median)
Amusement	6.3%
Automobile	6.7
Aviation	9.8
Building	4.6
Business & office equip.	5.0
Chemical	4.8
Electrical equipment	5.2
Farm machinery	4.6
Financial	6.1
Food	5.2
Garment	7.4
Leather	6.3
Machinery and metal	6.8
Mining	7.9
Paper and polishing	7.3
Petroleum	4.4
Railroad	7.2
Retail merchandising	5.9
Rubber and tire	5.1
Shipbuilding & operating	11.4
Steel, iron and coke	6.9
Textile	6.5
Tobacco	5.7
All public utilities	6.9
U. S. cos. oper. abroad	9.7
Foreign companies	6.8
Other companies	5.5
Average yield	6.1

"The table applies only to dividend-paying stocks. When the 158 listed stocks which were not paying dividends at the end of 1943 are counted in, the median yield of all listed issues, considered within the several groups, was 5.4%.

"Median yield for dividend payers, 6.1%. Median yield for both dividend and non-dividend payers, 5.4%.

"It may be worth emphasizing again that the median price is midway between the year's highest and lowest. In case of stocks which scored extensive price advances during 1943 and retained much of this advantage, the yield at prices reached late in the year would be considerably lower than the yield at the median price.

Yield Higher Year Ago

"At the end of 1942, the median yield was higher, being 7.8% for dividend payers and 6.7% for both classes combined. Reference to Dow, Jones & Co. stock market averages throws light upon what occurred to prices in process of reducing yields.

	December 31, 1943	1942
Industrials	135.89	119.40
Railroads	33.56	27.39
Public utilities	21.87	14.54

"Analysis of the dividend-paying stocks at the 1943 year-end (average prices, except for a movement of the rail average from 33.56 to 37.55 in the interval between Dec. 31, 1943 and Feb. 15, this year, have changed comparatively little) shows how yields varied among the dividend payers, as follows:

Yield (%)	No. of Issues
Under 2.0	7
2.0 to 3.9	103
4.0 to 5.9	225
6.0 to 7.9	196
8.0 to 9.9	90
10.0 to 11.9	38
12.0 to 13.9	13
14.0 to 15.9	6
16.0 and over	9

"The foregoing yields were calculated by dividing the Dec. 31, 1943, price of each stock into the cash dividend paid during 1943."

Trading On New York Exchanges

The Securities and Exchange Commission made public on Feb. 21 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Feb. 5, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Feb. 5 (in round-lot transactions) totaled 1,553,840 shares, which amount was 17.16% of the total transactions on the Exchange of 4,528,970 shares. This compares with member trading during the week ended Jan. 29 of 1,324,496 shares, or 16.69% of total trading of 3,969,070 shares. On the New York Curb Exchange, member trading during the week ended Feb. 5 amounted to 335,810 shares, or 15.11% of the total volume on that exchange of 1,111,335 shares; during the Jan. 29 week trading for the account of Curb members of 386,010 shares was 14.82% of total trading of 1,302,475 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED FEB. 5, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	113,540	
‡Other sales	4,415,430	
Total sales	4,528,970	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	393,740	
Short sales	51,800	
‡Other sales	315,900	
Total sales	367,700	8.41
2. Other transactions initiated on the floor—		
Total purchases	259,810	
Short sales	10,750	
‡Other sales	243,190	
Total sales	253,940	5.67
3. Other transactions initiated off the floor—		
Total purchases	139,830	
Short sales	2,600	
‡Other sales	136,220	
Total sales	138,820	3.08
4. Total—		
Total purchases	793,380	
Short sales	65,150	
‡Other sales	695,310	
Total sales	760,460	17.16

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED FEB. 5, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	9,040	
‡Other sales	1,102,295	
Total sales	1,111,335	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	96,785	
Short sales	4,215	
‡Other sales	93,390	
Total sales	97,605	8.75
2. Other transactions initiated on the floor—		
Total purchases	29,355	
Short sales	1,300	
‡Other sales	35,400	
Total sales	36,700	2.97
3. Other transactions initiated off the floor—		
Total purchases	34,565	
Short sales	1,300	
‡Other sales	39,500	
Total sales	40,800	3.39
4. Total—		
Total purchases	160,705	
Short sales	6,815	
‡Other sales	168,290	
Total sales	175,105	15.11
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	41	
§Customers' other sales	42,530	
Total purchases	42,571	
Total sales	36,088	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Merrill Lynch Earnings Rise

Merrill Lynch, Pierce, Fenner & Beane, underwriters and distributors of investment securities and brokers in securities and commodities, of 70 Pine St., New York, N. Y., in their annual report for the year 1943, released on Feb. 24, 1944, reported that the firm's total resources and liabilities rose from $74,084,826 to $105,971,741. The net worth of the firm at the year-end stood at $7,800,000, against $6,000,000 the year before—a gain of $1,800,000, provided by investment of earnings and by new capital. The report further shows:

SUMMARY OF INCOME, EXPENSES AND OTHER CHARGES

Years Ended Dec. 31—	1943	1942	1941
Income from operations	$17,321,381	$9,442,608	$8,657,479
Operating expenses	11,911,665	8,672,819	7,615,374
Non-recurring expenses	172,367	236,720	203,736
Interest on capital	383,476	386,461	323,892
Write-down of seats			55,218
Net income	$4,853,874	$146,608	$459,259

Note—As a partnership, the firm's taxes are not chargeable to the business but to 53 of the individual partners. Income taxes for the year 1943 amounted to about $3,750,000, leaving a final profit of $1,103,874.

Non-Ferrous Metals—Simplification of Zinc By WPB—Brass Output For March To Increase

"E. & M. J. Metal and Mineral Markets," in its issue of Feb. 24, stated: Simplification of procedure to handle zinc sales under WPB regulations was announced last week. Consumption of major non-ferrous metals, after some uncertainty in the first month of the year, is expanding. Deliveries of copper and zinc are expected to be larger from now on. Prospects for March are encouraging. Quicksilver producers believe that output of the metal has been reduced sharply at the lower prices now obtaining. Demand for sheet aluminum remains active. Antimony has been in active demand." The publication further went on to say in part:

Copper

From present indications, the Metals Reserve Co. will contribute more than 60,000 tons of copper during March to take care of the heavy allocations by the Copper Division of WPB. Total deliveries for next month may establish a new high, some observers believe.

Estimates on the position of copper vary considerably, depending largely on the basis of the statistical compilation. In "Domestic Commerce" for February, issued by the Department of Commerce, comment on the statistics places the inventories in copper at the end of 1943 at 611,000 tons, of which 360,000 tons were held by manufacturers, 200,000 tons by the Metals Reserve Co., and 51,000 tons by refiners. Industry estimates at the end of January place the stocks held by Metals Reserve at more than 300,000 tons.

Lead

Interest in lead during the last week shifted to foreign metal required to supplement March deliveries of the domestic product. Call for foreign lead was about on the same plane as in the preceding month, around 9,000 tons.

In spite of the recent activity in lead, sales by domestic producers for the last week totaled 4,610 tons.

Domestic refined-lead statistics for January showed deliveries of 45,258 tons, against 49,135 tons in December. Production for January was 49,768 tons. Stocks at the end of the month amounted to 37,590 tons.

Zinc

On Feb. 20 WPB announced simplification of allocation procedure for zinc. Effective April 1, the revised order permits producers to make shipments upon notification from a purchaser of the date and serial number of his authorization certificate. Amended order M-11 removes remelt zinc from allocation, and scrap zinc deliveries are no longer controlled.

March business is expected to make an appearance soon, and producers believe that brass mills will ask for more zinc than in February.

Aluminum

Output of primary aluminum in the United States during 1943 was 1,839,800,000 pounds, against 1,042,200,000 pounds in 1942, according to the War Production Board's Aluminum and Magnesium Division. Production of aluminum from secondary sources during 1943 amounted to 527,600,000 pounds, which compares with 370,400,000 in 1942. Peak production of primary aluminum was attained in October, when output totaled 188,100,000 pounds.

In addition to domestic production, the United States had available from Canada 428,700,000 pounds of primary aluminum in 1943, against 262,800,000 pounds in 1942.

WPB hereafter will issue monthly reports on production of aluminum, it was announced in Washington last week. The production figures cover all primary aluminum ingot and virtually all recovery from scrap, except "run-around" scrap generated in aluminum foundries and wrought product mills.

Tin

Under the direction of the British Government, production of tin in Nigeria has been increased substantially in the war period. Output increased from 10,855 long tons in 1939 to approximately 17,000 tons in 1942. Figures for 1943 are not yet available, but trade authorities believe that production for last year was even higher than in 1942. More than 14,000 laborers are engaged in the mines.

There were no new developments in the Bolivian situation. Concentrate has been moving to the United States on schedule.

Straits quality tin continued at 52c. per pound, with forward metal also unchanged as follows:

	February	March	April
Feb. 17	52.000	52.000	52.000
Feb. 18	52.000	52.000	52.000
Feb. 19	52.000	52.000	52.000
Feb. 21	52.000	52.000	52.000
Feb. 22	Holiday		
Feb. 23	52.000	52.000	52.000

Chinese, or 99% tin, was unchanged at 51.125c. per pound throughout the week.

Quicksilver

Buying of quicksilver was on the quiet side during the last week, but prices remained unchanged. The trade is interested in news of the trend in production. If output is being reduced to the extent that reports from the Pacific Coast indicate, the price, it is argued, could easily steady at around the prevailing level of $130 to $135 per flask, New York. On the Pacific Coast the quotation for prompt shipment metal is holding at $125 per flask, with forward material subject to negotiation where large quantities are involved.

Silver

The London market for silver was unchanged at 23½d., with the undertone steady. The New York Official for foreign silver continued at 44½c., with domestic metal at 70⅝c. Stocks of silver at refineries in this country at the end of December amounted to 2,942,000 oz., against 3,150,000 oz. a year ago and 1,947,000 oz. two years ago, according to the American Bureau of Metal Statistics. Figures on stocks include both domestic and foreign origin metal.

Mine production of silver in the United States during November, in terms of recoverable metal, according to the Bureau of Mines, amounted to 3,342,992 fine ounces, as against 3,322,352 ounces in October.

Daily Prices

The daily price of electrolytic copper (domestic and export refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Mail For British And Associated Forces

Postmaster Albert Goldman of New York announced on Feb. 23 that information has been received from the Post Office Department that mail (including parcel-post packages) for members of the British Armed Forces, Polish Armed Forces and other allied forces (except United States and Canadian) in the Middle East, in North, East and West Africa, including the Mediterranean area, and separately in Iran, Iraq, India and Ceylon, etc., shall be accepted for mailing when addressed with the usual unit particulars, that is, with the name of the division or regiment followed by a designation such as "Middle East Force," "West African Force," "East African Force," "British North African Force," "Central Mediterranean Force," "Paiforce," "India Command," "Ceylon Command," etc. Senders should endorse their articles, "Via New York, N. Y." Postmaster Goldman's announcement adds:

"These mails must comply with the restrictions applicable to overseas shipments to U. S. Army personnel as to weight (at present, maximum 5 pounds per parcel-post package), and dimensions (at present, 15 inches maximum length and 36 inches maximum length and girth combined).

"Otherwise surface mails and parcels for the armed forces referred to are subject to the international postage rates and conditions applicable to civilian mail as follows:

Parcels for—	Rates and Conditions
Middle East Force	Same as Egypt
Paiforce	Same as Iraq
India Command	Same as India
Ceylon Command	Same as Ceylon
East Africa Force	Same as Egypt
West Africa Force	Same as Nigeria

Parcels for—	Rates and Conditions
British North African Force, Central Mediterranean Force and British or Dominion Army Units with A. P. O. numbers.	Same as Great Britain and No. Ireland, except parcels may not be insured.
French force in No. Africa	Same as French Morrocco (Casablanca parcel-post rates).

"The following rates are fixed for airmail articles addressed as indicated and the weight limit is two ounces per letter:

Articles for—	Rates
Middle East Force (except V-mail), Paiforce (except V-mail), India Command and Ceylon Command	70c. per ½ ounce
East African Force	60c. per ½ ounce
West African Force	50c. per 1 ounce
British or French North African Force and Central Mediterranean Force	33c. per ½ ounce

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Feb. 21 a summary for the week ended Feb. 12 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Feb. 12, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	16,680
Number of Shares	413,442
Dollar value	$17,188,075
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	201
*Customers' other sales	13,517
Customers' total sales	13,718
Number of Shares:	
Customers' short sales	6,075
*Customers' other sales	357,062
Customers' total sales	363,137
Dollar value	$12,359,622
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	20
†Other sales	90,860
Total sales	90,880
Round-lot Purchases by Dealers—	
Number of shares	154,340

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production For Week Ended Feb. 19, 1944 Declined 14,650 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Feb. 19, 1944, was 4,384,500 barrels, a decrease of 14,650 barrels per day when compared with the preceding week and 34,300 barrels per day less than the daily average recommended by the Petroleum Administration for War for the month of February, 1944. The current figure, however, is 510,200 barrels per day in excess of that recorded for the week ended Feb. 20, 1943. Daily output for the four weeks ended Feb. 19, 1944, averaged 4,398,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Buerau of Mines basis approximately 4,340,000 barrels of crude oil daily and produced 13,326,000 barrels of gasoline; 1,572,000 barrels of kerosine; 4,331,000 barrels of distillate fuel oil, and 8,881,000 barrels of residual fuel oil during the week ended Feb. 19, 1944; and had in storage at the end of that week 83,931,000 barrels of gasoline; 7,240,000 barrels of kerosine; 33,709,000 barrels of distillate fuel, and 52,965,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	•P. A. W. Recommendations February	•State Allowables Begin. Feb. 1	Actual Production Week Ended Feb. 19, 1944	Actual Production Change from Previous Week	4 Weeks Ended Feb. 19, 1944	Week Ended Feb. 20, 1943
Oklahoma	328,000	328,000	†325,400	— 1,800	327,500	347,700
Kansas	285,000	269,400	†268,050	—13,700	275,850	316,650
Nebraska	1,200	----	†1,100	----	1,100	2,600
Panhandle Texas			102,000	----	101,000	88,900
North Texas			139,950	----	140,000	135,350
West Texas			362,000	----	362,650	213,900
East Central Texas			110,250	----	111,800	100,000
East Texas			390,600	----	384,500	325,100
Southwest Texas			288,250	----	289,550	157,750
Coastal Texas			516,600	----	517,650	322,100
Total Texas	1,886,000	‡1,916,693	1,909,650	----	1,907,150	1,343,100
North Louisiana			77,200	----	77,500	90,750
Coastal Louisiana			283,100	----	282,550	246,550
Total Louisiana	348,700	370,200	360,300	----	360,050	337,300
Arkansas	76,600	78,591	78,750	— 50	78,650	75,250
Mississsippi	46,000		42,600	— 1,350	44,200	55,000
Illinois	215,000		211,100	+ 7,250	212,650	242,700
Indiana	14,000		12,450	— 1,900	13,500	15,800
Eastern— (Not incl. Ill., Ind., Ky.)	72,200		68,700	— 750	70,800	63,100
Kentucky	25,200		20,100	— 2,800	21,800	19,650
Michigan	50,000		53,500	+ 100	52,850	58,600
Wyoming	93,000		95,400	— 3,100	97,300	91,700
Montana	23,700		20,950	----	20,950	21,450
Colorado	7,000		6,900	— 1,550	7,550	7,100
New Mexico	110,700	110,700	112,850	— 200	113,000	96,600
Total East of Calif.	3,582,300		3,587,800	—19,850	3,604,900	3,094,300
California	836,500	§836,500	796,700	+ 5,200	793,400	780,000
Total United States	4,418,800		4,384,500	—14,650	4,398,300	3,874,300

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Feb. 17, 1944.

‡This is the net basic allowable as of Feb. 1 calculated on a 29-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 14 days, the entire state was ordered shut down for 8 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 8 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE. GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED FEB. 19, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are ——therefore on a Bureau of Mines basis——

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
•Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,448	90.0	2,138	87.3	6,380	36,919	15,388	15,184
Appalachian— District No. 1	130	83.9	100	76.9	294	2,059	738	170
District No. 2	47	87.2	50	106.4	179	1,207	356	215
Ind., Ill., Ky.	824	85.2	768	93.2	2,679	18,432	5,921	3,011
Okla., Kans., Mo.	416	80.1	348	83.7	1,266	7,881	1,696	1,250
Rocky Mountain— District No. 3	8	26.9	12	150.0	34	73	20	30
District No. 4	141	58.3	92	65.2	340	1,920	365	582
California	817	89.9	832	101.8	2,154	15,440	9,225	32,523
Total U. S. B. of M. basis Feb. 19, 1944	4,931	87.1	4,340	89.8	13,326	†83,931	33,709	52,965
Total U. S. B. of M. basis Feb. 12, 1944	4,831	87.1	4,228	87.5	13,101	82,322	34,854	52,453
U. S. Bur. of Mines basis Feb. 20, 1943			3,668		10,323	91,823	36,122	70,371

*At the request of the Petroleum Administration for War. †Finished, 73,662,000 barrels; unfinished, 10,269,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,572,000 barrels of kerosine, 4,331,000 barrels of gas oil and distillate fuel oil and 8,881,000 barrels of residual fuel oil produced during the week ended Feb. 19, 1944, which compares with 1,640,000 barrels, 3,946,000 barrels and 9,000,000 barrels, respectively, in the preceding week and 1,463,000 barrels, 3,970,000 barrels and 7,520,000 barrels, respectively, in the week ended Feb. 20, 1943.

Note—Stocks of kerosine at Feb. 19, 1944 amounted to 7,240,000 barrels, as against 7,545,000 barrels a week earlier and 6,353,000 barrels a year before.

Bayard Pope Named to N. Y. Port Authority

Bayard Foster Pope of New York was appointed a member of the New York Port Authority on Feb. 18 by Governor Dewey. Mr. Pope, who will serve a six-year term, succeeds Rudolph Reimer of Brooklyn. Mr. Pope is Chairman of the Marine Midland Corporation and an officer of the Marine Midland Trust Company of New York.

Changes In Holdings Of Reacquired Stock Of N. Y. Stock & Curb Listed Firms

The New York Stock Exchange issued on Feb. 16 the following tabulation of companies reporting changes in the amount of stock held as heretofore reported by the Department of Stock List:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Allegheny Ludlum Steel Corporation, common	2,350	25	
Allied Kid Company, common	40,751	40,801	
Allied Stores Corporation, 5% preferred	3,212	6,212	
American Ice Company, 6% preferred	1,300	1,400	
Armour and Company, common	5	1	
Associated Dry Goods Corporation, 6% 1st preferred	------	2,040	
Associates Investment Company, common	43,235	43,835	
Associates Investment Company, 5% cum. pfd.	------	130	
Atlas Corporation, common	44,567	62,676	
6% preferred	------	1	
Beatrice Creamery Company, $4.25 cum. pfd.	------	------	(1)
The Borden Company, capital	92,958	102,058	
Century Ribbon Mills, Inc., 7% preferred	226	195	
Chicago Pneumatic Tool Company, prior preferred	7,281	7,311	
Copperweld Steel Company, 5% cum. cv.	9,149	9,179	
Distillers Corporation-Seagrams, Ltd., cum. pfd. 5% series	1,450	4,930	
Firestone Tire & Rubber Company (The), common	304,104	304,119	
Preferred	1,871	------	
Flintkote Company (The), $4.50 cum. preferred	1,550	1,860	
General American Transportation Corporation, common	3,300	3,513	
Gimbel Brothers, $6 cumulative preferred	9,711	9,811	
Holly Sugar Corporation, 7% preferred	2,305	2,336	
Lehman Corporation (The), common	20,900	33,300	
Madison Square Garden Corporation, capital	30,000	30,400	
Mead Corporation (The), pfd. $5.50 series B	3,357	3,467	
Nash-Kelvinator Corporation, capital	84,411	84,413	
National Cylinder Gas Company, common	8,112	------	(2)
Newport News Shipbuilding and Dry Dock Company— $5 cumulative convertible preferred	22,500	24,100	
Norfolk and Western Railway Company, adj. pfd.	7,907	8,377	
Plymouth Oil Company, capital	12,784	12,984	
Purity Bakeries Corporation, common	32,469	32,189	
Real Silk Hosiery Mills, Inc., 7% cum. pfd.	6,105	6,125	
Rustless Iron and Steel Corporation, common	6	7	
Schenley Distillers Corporation, 5½% cum. preferred	7,090	7,735	
Sheaffer (W. A.) Pen Co., common	2,748	2,750	(3)
Sinclair Oil Corporation, common	443,939	443,941	
Transamerica Corporation, capital	1,218,000	1,220,100	
Tubize Rayon Corporation, common	2,413	2,415	
United Merchants & Manufacturers, Inc., common	24,779	24,826	
United States Rubber Company, common	18	20	

NOTES

(1) Acquired and retired 130 shares.
(2) Acquired 3,400 shares; disposed of 11,512 shares.
(3) Acquired 25 shares; sold 23 shares.

The New York Curb Exchange has made available the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
Air Investors, Inc., convertible preference	------	165
American General Corp., common	385,113	385,413
Interstate Hosiery Mills, Inc., capital	46,474	46,524
Klein (D. Emil) Co., Inc., common	18,469	18,969
Knott Corporation, common	10,312	10,412
Mangel Stores Corp., $5 convertible preferred	3,918	4,008
Mangel Stores Corp., common	595	745
Midland Oil Corp., $2 convertible preference	10,465	10,965
Mock, Judson, Voehringer Co., Inc., common	17,307	21,357
New York Merchandise Co., Inc., common	125,857	125,882
Selected Industries, Inc., $5.50 div. pr. stock	------	650
United Cigar-Whelan Stores Corp., common	12,213	12,217
Universal Cooler Corp., convertible part. "A"	100	------
Utility Equities Corp., $5.50 div. pr. stock	11,100	11,300
Wentworth Manufacturing Co., common	28,209	9,819

National Fertilizer Association Commodity Price Average Declines Fractionally

The rising trend in the general level of wholesale commodity prices was halted last week, according to the wholesale price index compiled by The National Fertilizer Association and made public Feb. 28, which registered a decline. In the week ended Feb. 26 this index fell off to 137.0 from 137.4 in the preceding week. A month ago this index stood at 137.2 and a year ago at 134.8, based on the 1935-1939 average as 100. The Association's report went on to say:

Last week's decline in the all commodity index resulted from lower quotations for some farm products and foods. The recession in the food price average to the August, 1943, level was due in large part to a drop in prices for oranges and white potatoes. A slight advance in eggs was not sufficient to have any effect on the decline in the foods group. Lower quotations for most livestock effected a decline in the farm products group. Heavier weight hogs advanced during the week but light types generally were lower. Price quotations for good cattle and lambs were also lower. Once again the leadership in the grain markets proved to be rye, which advanced slightly but not sufficiently to change the index number for the grains group which has remained at the same level for six consecutive weeks. A slight advance was recorded by the textiles group as raw cotton continued its upward trend.

During the week price changes in the index were evenly balanced with five price series advancing and five declining; in the preceding week six price series advanced and one declined; and in the second preceding week they were again evenly balancd with five advances and five declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Feb. 26, 1944	Preceding Week Feb. 19, 1944	Month Ago Jan. 29, 1944	Year Ago Feb. 27, 1943
25.3	Foods	138.4	139.2	140.2	137.0
	Fats and Oils	146.1	146.1	146.1	148.1
	Cottonseed Oil	159.6	159.6	159.6	159.0
23.0	Farm Products	157.0	157.4	156.1	153.4
	Cotton	199.0	198.5	193.1	199.8
	Grains	164.8	164.8	164.8	137.5
	Livestock	147.7	148.4	147.6	149.8
17.3	Fuels	130.1	130.1	129.5	121.7
10.8	Miscellaneous commodities	131.4	131.4	131.4	129.7
8.2	Textiles	151.8	151.7	150.9	151.2
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.4	151.9
1.3	Chemicals and drugs	127.7	127.7	127.7	127.6
.3	Fertilizer materials	117.7	117.7	117.7	117.6
.3	Fertilizers	119.9	119.9	119.9	119.8
.3	Farm machinery	104.2	104.2	104.2	104.1
100.0	All groups combined	137.0	137.4	137.2	134.8

*Indexes on 1926-1928 base were: Feb. 26, 1944, 106.7; Feb. 19, 107.0 and Feb. 27, 1943, 105.0.

Hirschmann War Refugee Bd. Rep. in Ankara

John W. Pehle, Acting Executive Director of the War Refugee Board, announced on Feb. 21 that Ira Hirschmann, Vice-President of Bloomingdale Brothers, Inc., New York City, has been designated as the Board's special representative in Ankara, Turkey, assigned as Special Attache to the Embassy in connection with war refugee matters. The announcement by the WRB further says:

"Mr. Hirschmann arrived in Ankara Feb. 14 and is now engaged in the development of programs and the implementation of measures for the rescue, transportation, maintenance and relief of Jews and other persecuted minorities in Europe.

"Mr. Hirschmann has spent considerable time in western and central Europe. In 1938 he attended the Evian Conference as an observer for the United States Government. Later, he went to Austria where with the cooperation of friends he arranged for several hundred refugees to leave the country.

"Mr. Hirschmann's most recent Government service was as special assistant to William Davis of the War Labor Board. He is interested in civic activities and serves as a member of the Board of Higher Education of the City of New York."

Mrs. Roosevelt Urges More Than "Win War"

The President may call the New Deal slogan passe, but Mrs. Roosevelt said on Jan. 3 she had not "laid it away in lavender," and also that this country needs something more in its place than "Win the War."

In reporting this, a Washington dispatch to the New York "Times" further said:

"I understand the President says we must say 'Win the War,'" she responded to a question. "And, of course, 'New Deal' has become rather old, rather stable and permanent, too, in many ways.

"But it seems to me anyone who thinks of winning the war only as it pertains to coming to a day of victory is talking of a thing which must be done by the military, whereas the rest of us, though concerned with its success, can't do anything but our civilian jobs as well as we can.

"What the New Deal had its birth in was the need of citizens for a greater knowledge of human needs. The future is going to require that not only our citizens but the world have a greater interest in human needs. Moreover, it is absolutely necessary for the economic welfare of our own people for our aims to take in the human welfare of the world."

Lumber Movement—Week Ended February 19, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 498 mills reporting to the National Lumber Trade Barometer were 0.3% above production for the week ended Feb. 19, 1944. In the same week new orders of these mills were 11.8% greater than production. Unfilled order files of the reporting mills amounted to 113% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate and gross stocks are equivalent to 33 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 5.3%; orders by 12.2%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 60.2% greater; shipments were 38.7% greater; and orders were 55.2% greater.

Revenue Freight Car Loadings During Week Ended Feb. 19 1944 Decreased 19,570 Cars

Loading of revenue freight for the week ended Feb. 19, 1944, totaled 775,692 cars, the Association of American Railroads announced on Feb. 24. This was an increase above the corresponding week of 1943 of 23,673 cars, or 3.1%, and an increase above the same week in 1942 of 1,272 cars or 0.2%.

Loading of revenue freight for the week of Feb. 19 decreased 19,570 cars, or 2.5% below the preceding week.

Miscellaneous freight loading totaled 360,424 cars, a decrease of 5,321 cars below the preceding week, but an increase of 3,466 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 100,635 cars, an increase of 1,250 cars above the preceding week, and an increase of 10,336 cars above the corresponding week in 1943.

Coal loading amounted to 179,807 cars, a decrease of 7,545 cars below the preceding week, but an increase of 6,355 cars above the corresponding week in 1943.

Grain and grain products loading totaled 50,743 cars, a decrease of 3,609 cars below the preceding week and a decrease of 860 cars below the corresponding week in 1943. In the Western districts alone, grain and grain products loading for the week of Feb. 19 totaled 35,488 cars, a decrease of 2,703 cars below the preceding week and a decrease of 558 cars below the corresponding week in 1943.

Live stock loading amounted to 15,154 cars, an increase of 340 cars above the preceding week, and an increase of 1,975 cars above the corresponding week in 1943. In the Western districts alone loading of live stock for the week of Feb. 19, totaled 11,111 cars, an increase of 303 above the preceding week, and an increase of 1,367 cars above the corresponding week in 1943.

Forest products loading totaled 40,589 cars, a decrease of 4,011 cars below the preceding week and a decrease of 550 cars below the corresponding week in 1943.

Ore loading amounted to 13,119 cars, a decrease of 845 cars below the preceding week but an increase of 2,022 cars above the corresponding week in 1943.

Coke loading amounted to 15,221 cars, an increase of 171 cars above the preceding week, and an increase of 929 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943 except the Pocahontas, Southern and Southwestern. All districts reported decreases compared with 1942 except the Pocahontas, Centralwestern and Southwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
Week of February 5	806,075	755,514	783,962
Week of February 12	795,262	765,271	782,701
Week of February 19	775,692	752,019	774,420
Total	6,173,506	5,804,615	6,199,562

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Feb. 19, 1944. During the period 77 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED FEB. 19

Railroads	Total Revenue Freight Loaded 1944	1943	1942	Total Loads Received from Connections 1944	1943
Eastern District—					
Ann Arbor	284	258	611	1,641	1,380
Bangor & Aroostook	2,156	2,336	2,135	334	110
Boston & Maine	6,428	5,178	8,488	14,534	12,605
Chicago, Indianapolis & Louisville	1,268	1,297	1,373	2,023	2,024
Central Indiana	38	45	24	38	52
Central Vermont	960	796	1,384	2,113	1,467
Delaware & Hudson	5,969	5,749	6,401	13,508	10,395
Delaware, Lackawanna & Western	7,496	6,790	8,947	10,882	10,117
Detroit & Mackinac	204	202	290	100	116
Detroit, Toledo & Ironton	2,016	1,911	2,088	1,897	2,632
Detroit & Toledo Shore Line	297	269	328	3,647	3,538
Erie	12,363	11,276	13,989	20,287	18,812
Grand Trunk Western	3,621	3,554	4,610	9,336	8,343
Lehigh & Hudson River	149	150	179	3,734	3,048
Lehigh & New England	2,034	1,602	1,740	1,500	1,607
Lehigh Valley	8,850	7,065	9,263	15,313	12,561
Maine Central	2,370	2,291	3,463	4,152	3,605
Monongahela	6,079	6,274	6,096	351	364
Montour	2,622	2,521	1,830	32	24
New York Central Lines	45,360	42,555	45,228	55,817	56,077
N. Y., N. H. & Hartford	9,982	8,257	12,591	19,663	16,242
New York, Ontario & Western	1,353	789	1,050	2,957	2,231
New York, Chicago & St. Louis	6,289	6,757	6,897	17,115	15,618
N. Y., Susquehanna & Western	403	451	539	3,000	1,923
Pittsburgh & Lake Erie	7,864	7,284	8,210	7,752	6,988
Pere Marquette	4,688	4,479	4,780	8,880	7,711
Pittsburg & Shawmut	859	633	557	13	13
Pittsburg, Shawmut & North	301	320	368	251	243
Pittsburgh & West Virginia	1,110	856	691	2,715	4,002
Rutland	373	288	520	954	620
Wabash	5,979	5,775	5,773	12,403	12,890
Wheeling & Lake Erie	5,028	4,646	4,563	4,595	6,128
Total	154,793	142,654	165,006	241,537	223,486
Allegheny District—					
Akron, Canton & Youngstown	776	665	623	1,439	1,185
Baltimore & Ohio	41,140	36,381	40,014	28,140	26,912
Bessemer & Lake Erie	2,702	2,248	3,190	1,491	1,599
Buffalo Creek & Gauley	314	226	340	2	5
Cambria & Indiana	1,852	1,905	1,923	4	7
Central R. R. of New Jersey	7,064	5,901	7,885	20,828	19,299
Cornwall	587	364	628	60	75
Cumberland & Pennsylvania	202	228	303	8	12
Ligonier Valley	140	110	125	60	45
Long Island	1,297	860	838	4,043	3,402
Penn-Reading Seashore Lines	1,576	1,495	1,798	2,791	2,380
Pennsylvania System	77,356	69,740	76,837	67,347	58,941
Reading Co.	14,599	12,737	15,937	29,612	28,319
Union (Pittsburgh)	20,575	19,971	20,260	4,145	3,713
Western Maryland	3,916	3,751	3,892	14,459	13,835
Total	174,096	156,582	174,593	174,429	159,729
Pocahontas District—					
Chesapeake & Ohio	27,929	28,182	23,568	11,617	10,848
Norfolk & Western	21,238	22,000	21,485	7,740	7,874
Virginian	4,507	4,477	3,825	1,539	2,121
Total	53,674	54,659	48,878	20,896	20,843
Southern District—					
Alabama, Tennessee & Northern	*315	299	343	*373	274
Atl. & W. P.—W. R. R. of Ala.	726	765	824	2,330	2,419
Atlanta, Birmingham & Coast	670	637	752	1,629	1,624
Atlantic Coast Line	13,140	14,694	12,193	11,405	11,114
Central of Georgia	3,578	4,196	4,357	5,176	4,519
Charleston & Western Carolina	311	468	395	1,884	1,623
Clinchfield	1,495	1,740	1,692	3,327	2,868
Columbus & Greenville	288	386	260	246	245
Durham & Southern	96	100	165	931	486
Florida East Coast	3,382	2,969	1,352	1,992	1,563
Gainesville Midland	28	40	37	122	111
Georgia	984	1,408	1,483	2,708	2,776
Georgia & Florida	355	377	384	820	511
Gulf, Mobile & Ohio	4,029	3,860	4,106	4,466	5,843
Illinois Central System	27,444	27,770	27,615	17,834	18,392
Louisville & Nashville	23,527	24,960	24,584	12,244	10,886
Macon, Dublin & Savannah	207	180	164	929	863
Mississippi Central	278	218	172	708	364
Nashville, Chattanooga & St. L.	3,002	3,180	3,174	4,923	4,860
Norfolk Southern	863	1,102	1,098	1,611	1,428
Piedmont Northern	384	357	505	1,568	1,078
Richmond, Fred. & Potomac	377	314	445	11,226	9,912
Seaboard Air Line	10,121	10,228	9,783	8,867	9,493
Southern System	21,267	21,731	24,090	25,713	23,351
Tennessee Central	603	457	630	1,219	844
Winston-Salem Southbound	128	106	138	1,151	1,003
Total	117,598	122,542	120,761	125,402	118,456
Northwestern District—					
Chicago & North Western	15,045	15,076	16,696	14,478	12,374
Chicago Great Western	2,850	2,526	2,745	3,607	3,065
Chicago, Milw., St. P. & Pac.	20,595	22,418	23,440	10,870	12,471
Chicago, St. Paul, Minn. & Omaha	3,982	3,616	4,289	3,958	3,542
Duluth, Missabe & Iron Range	1,442	1,326	1,228	206	288
Duluth, South Shore & Atlantic	897	475	790	593	496
Elgin, Joliet & Eastern	8,356	9,157	9,716	12,632	10,209
Ft. Dodge, Des Moines & South	456	435	529	99	115
Great Northern	12,219	10,618	11,122	5,326	4,958
Green Bay & Western	*522	473	578	*966	886
Lake Superior & Ishpeming	323	253	349	56	65
Minneapolis & St. Louis	*2,105	2,149	2,161	*2,337	2,089
Minn., St. Paul & S. S. M.	5,102	4,652	5,549	3,776	2,872
Northern Pacific	10,310	8,479	10,399	5,444	4,988
Spokane International	110	72	102	640	576
Spokane, Portland & Seattle	2,383	1,756	2,638	3,003	2,925
Total	86,697	83,481	92,331	67,991	61,919
Central Western District—					
Atch., Top. & Santa Fe System	21,693	21,659	20,877	12,955	11,496
Alton	3,096	2,833	3,237	4,023	4,470
Bingham & Garfield	509	484	422	78	98
Chicago, Burlington & Quincy	19,791	18,529	16,403	10,831	11,593
Chicago & Illinois Midland	3,113	3,173	3,111	736	1,016
Chicago, Rock Island & Pacific	11,501	12,508	11,798	12,993	14,055
Chicago & Eastern Illinois	2,750	2,466	2,879	5,990	6,120
Colorado & Southern	727	826	802	2,287	1,918
Denver & Rio Grande Western	3,340	4,319	3,270	5,595	5,571
Denver & Salt Lake	935	891	576	12	9
Fort Worth & Denver City	824	1,129	1,178	1,411	1,525
Illinois Terminal	1,890	1,583	2,067	1,790	1,654
Missouri-Illinois	950	809	1,228	501	471
Nevada Northern	1,561	1,806	1,916	112	126
North Western Pacific	685	1,023	891	937	737
Peoria & Pekin Union	57	27	13	---	---
Southern Pacific (Pacific)	29,100	27,454	27,266	14,524	13,135
Toledo, Peoria & Western	389	259	271	1,852	1,650
Union Pacific System	15,187	13,750	14,040	15,630	13,144
Utah	618	609	500	7	2
Western Pacific	1,556	2,070	1,703	2,862	2,742
Total	120,272	118,207	114,448	95,126	91,544
Southwestern District—					
Burlington-Rock Island	288	687	201	382	259
Gulf Coast Lines	7,007	6,518	4,213	2,345	2,662
International-Great Northern	1,856	2,871	2,098	3,945	3,684
Kansas, Oklahoma & Gulf	250	297	356	1,023	1,265
Kansas City Southern	5,712	5,450	3,588	2,778	2,897
Louisiana & Arkansas	2,954	3,510	2,506	2,553	2,562
Litchfield & Madison	355	309	373	1,280	1,185
Midland Valley	713	618	640	425	264
Missouri & Arkansas	170	171	202	453	599
Missouri-Kansas-Texas Lines	5,052	6,027	4,583	4,641	6,553
Missouri Pacific	15,619	16,967	16,243	19,580	19,149
Quanah Acme & Pacific	120	108	94	264	299
St. Louis-San Francisco	8,044	9,568	8,547	9,437	9,565
St. Louis Southwestern	2,928	3,089	3,253	5,629	6,277
Texas & New Orleans	12,846	13,054	7,542	5,053	5,477
Texas & Pacific	4,545	4,549	3,837	7,999	8,275
Wichita Falls & Southern	68	104	113	49	28
Weatherford M. W. & N. W.	35	17	14	54	95
Total	68,562	73,894	58,403	67,893	71,095

Note—Previous year's figures revised. *Previous week's figures.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
1943—Week Ended					
Nov. 6	172,441	147,467	608,782	93	93
Nov. 13	153,126	149,295	608,893	95	93
Nov. 20	126,726	146,286	587,715	94	93
Nov. 27	134,959	142,136	578,434	91	93
Dec. 4	177,664	149,803	602,789	95	93
Dec. 11	146,662	148,826	600,323	96	93
Dec. 18	139,654	148,431	589,659	96	93
Dec. 25	119,487	136,120	569,689	87	93
1944—					
Jan. 1	121,212	92,328	589,815	63	93
Jan. 8	160,567	138,381	612,043	86	86
Jan. 15	153,097	146,596	614,215	93	90
Jan. 22	131,940	140,457	602,930	93	91
Jan. 29	145,735	147,423	597,011	95	92
Feb 5	185,069	151,102	628,048	97	93
Feb. 19	130,252	148,533	609,429	96	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Wallace To Address Amer. Business Cong.

At the forthcoming dinner meeting on the problems and future of Small Business, under the auspices of the American Business Congress, to be held at the Waldorf Astoria Hotel in New York on March 17, the principal address will be made by the guest of honor, Vice-President Henry A. Wallace. Preceding his broadcast speech there will be a symposium in which various viewpoints will be presented by representatives of government, industry and labor, including Justice Thurman Arnold, United States Court of Appeals; Wayne C. Taylor, Under Secretary of Commerce; Maury Maverick, Chairman of the Smaller War Plants Corp. of the RFC; Philip Murray, President of the CIO; Senator James E. Murray, Chairman of the Senate Small Business Committee, and George J. Seedman, National President of the American Business Congress.

The announcement in the matter says:

"In order to assure a representative audience from every level of business activity—manufacturing, wholesaling, retailing, etc.—the 1,500 guests at the dinner have been selected from representative industries and trade associations. Thomas J. Donovan, Co-chairman of the New York City Committee on Defense Recreation, will be Chairman of the dinner and Master of Ceremonies. According to Mr. Donovan, the American Business Congress is recognized as the one organization in the country which embraces in its membership representatives of all industries and types of enterprise. Mr. Donovan pointed out that the American Business Congress is a nonprofit and wholly non-political organization which, through recognition of the growing need for organization among small business men, holds this symposium so that the varied views of national business and labor leaders can be expressed without regard to political tendencies before a gathering of business men representing all trades and industries.

"That the recent activities of the American Business Congress have not been without result is demonstrated by a provision of the recently vetoed Revenue Act increasing excess profits exemptions for corporations. Under this provision, which increases excess profits tax exemptions from $5,000 to $10,000, smaller corporations will save $3,400 and even larger corporations will save a minimum of $2,750. Other tax recommendations by the American Business Congress in behalf of small business are being considered by various Congressional Committees."

The Congress has invited a number of prominent guests to be present on the evening of the dinner. Those who have accepted thus far include Senator Joseph H. Ball (Rep., Minn.); Wendell Berge, Assistant U. S. Attorney General; Sen. Harold H. Burton (Rep., Ohio); James V. Forrestal, Under Secretary of the Navy; Robert E. Freer, Chairman of the Federal Trade Commission; Chas. B. Henderson, Chairman of the Board, RFC; Leon Henderson, former OPA head; Col. Harold G. Hoffman, former Governor of New Jersey and now Director of the Port of Embarkation, Brooklyn; Gen. Russell L. Maxwell, General Staff of the War Department; Theodore R. McKeldin, Mayor of Baltimore; Mrs. Floyd Odlum, Bonwit Teller; David Podell, Special Assistant U. S. Attorney General; Joseph E. Ridder, Publisher of the "Journal of Commerce"; Mrs. Anna Rosenberg, Regional Director of the War Manpower Commission for New York City, and William Shepherdson, Chief of the Small Business Unit of the Department of Commerce.

Items About Banks, Trust Companies

The Central Hanover Bank & Trust Company of New York on Feb. 28 dedicated and unveiled at a simple ceremony a roll of honor for its 672 employees who are serving this country in the armed forces. Fred A. Buck, President of the Quarter-Century Club, who made the presentation to Wm. Gray, President of the bank, said in part:

"We are meeting to honor our comrades. The names of 672 of our associates appear on the Honor Roll. That number is a high percentage of our male staff. If we also consider the additional number of husbands, brothers, sons and members of the families of many of us, now in service, our staff's contribution to the military effort of our country becomes indeed impressive. We have every reason to cherish and be proud of the record. On behalf of the Quarter-Century Club it is my privilege to present to the Central Hanover Bank and Trust Company the "Roll of Honor" containing the names of the employees of our bank now serving or having served in the armed forces of our country in World War II."

Lieut. Jack Ackley, N. S. N. R., formerly with the Foreign Department, unveiled the plaque after it had been accepted by Mr. Gray for the bank. The plaque is made of leather and wood and after the war will be cast in bronze.

Julian M. Gerard, formerly prominent in the banking field in New York City, and also formerly New York State Director for the Federal Housing Administration, died at the Doctors Hospital, this city, on Feb. 26. He was 68 years of age. Following his graduation from Yale in 1897, Mr. Gerard entered the employ of the Knickerbocker Trust Co. as a clerk. Three years later he was made Assistant Cashier-Secretary, and in 1904 Vice-President. Due to ill-health in 1906 he was obliged to seek a period of rest, chiefly spent in a trip around the world. The New York "Times," in sketching his activities, went on to say:

"Returning to the Knickerbocker Trust Co. in 1910, he was again elected Vice-President and he remained for several years. He was next associated successively with the Stock Exchange firm of H. C. Brown & Co., the Columbia Trust Co. and the National American Bank, which he organized and headed for a time. Later he was Chairman of the Board of the Central Mercantile Bank and Trust Co. and then President of the International Germanic Trust Co., 1927-29.

"Appointed FHA Director for this State in October, 1934, Mr. Gerard served until the following August, when he was made Director of Region One of the Administration, a territory that included Connecticut and Rhode Island as well as New York State. Since his resignation from this post he had not engaged in business or public life."

Announcement that checks totaling $1,000,000 have been prepared for payment of the final dividend to creditors of the closed First National Bank & Trust Co. of Yonkers, N. Y., which closed with the banking holiday March 3, 1933, and never reopened, was made on Feb. 21 by William Oosterhuis, Receiver, according to Yonkers advices to the New York "Herald Tribune" from which we also quote:

"Liquidation of the bank's assets has been completed and the final distribution of 8.6% brings to 58.6% the total recovery to each of the 28,000 creditors of the bank when it closed. The first dividend of 40% was paid Dec. 16, 1933, and the second of 10% was distributed Nov. 1, 1937.

"Owing to reduced space and clerical personnel in the Receiver's office the checks cannot be given to depositors in person, but will be sent by mail, Mr. Oosterhuis said.

"After the bank closed it was operated under a Conservator for a short time; Arthur E. Muth was appointed Receiver Jan. 23, 1934, and was succeeded by Walter F. Downey on Nov. 15, 1937. When Mr. Downey entered the Navy as a Lieutenant the receivership passed into the hands of Mr. Oosterhuis, Sept. 22, 1942."

Horace K. Corbin, President of Fidelity Union Trust Co., Newark, N. J., announced on Feb. 24, after the meeting of the Board of Directors, the following appointments: William C. Bowker, from Assistant Secretary-Treasurer to Second Vice-President; Ralph A. Hohman, William J. O'Connor, George W. Spicer and Herbert J. Pike as Assistant Secretaries-Assistant Treasurers. Mr. Bowker entered the North Ward National Bank, now the Fidelity Union's North Ward Branch, in 1922 and became the operating officer. In 1939 he was transferred to the main office as Assistant to the Vice-President in charge of operations. Mr. Hohman started with the Fidelity Trust Co. in 1910 and is now Manager of the Fidelity Union's savings department at the main office. Mr. Spicer joined the staff of the Ironbound Trust Co., now Fidelity Union's Ironbound Trust Branch, in 1918. Mr. Pike became associated with the City Trust Co., now Fidelity Union's City Trust Branch, in 1924. Mr. O'Connor entered the securities department at the main office in 1941. He had been an investment analyst for the Adams Express Co. and Manufacturers Trust Co. of New York

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Subject to ratification by the stockholders on April 20, the directors of the Mutual Bank and Trust Co. of St. Louis have authorized a stock dividend of one new share for each 11 held of record April 20. This is learned from the St. Louis "Globe Democrat" of Feb. 18, which added:

"The Board also voted the usual cash dividend of 50 cents per share payable March 15 of record March 4.

"It will be the fourth stock dividend, each of $50,000, paid by the bank since it first opened its doors in 1934."

The Dallas National Bank of Dallas, Texas, announces an increase of $1,000,000 in its capital account, making the total capital, surplus and undivided profits $3,093,111. The bank in its announcement says:

"Our stockholders, by oversubscribing the additional capital stock, clearly evidenced their continued confidence in the future growth of this bank that is now in its 41st year of service to Dallas and the Southwest.

"This substantial addition to our capital account will enable us to adequately handle our constantly increasing business, will permit us to serve our customers in a larger way, and to make a greater contribution to the expanding industrial and commercial growth of this Section of the Country."

The bank's capital in its Feb. 3 statement of condition is shown as $1,500,000 and surplus and undivided profits as $1,593,111. Total deposits are $49,153,677, while total assets are given at $52,605,979.

The Directors of the Midland Bank Limited of London announce that they have elected Clarence T. A. Sadd, C.B.E., J.P., D.L., as Vice-Chairman of the Board. Mr. Sadd will continue as Chief Executive of the bank. Mr. Sadd has also been appointed Vice-Chairman of the Midland Bank Executor and Trustee Co. Limited.

The Swiss Bank Corp. announced on Feb. 3 that the accounts for the year 1943 show net profits including the carry-forward from the previous year of Swiss Fcs. 10.241,943 against Swiss Fcs. 9,875,180 for 1942. The total assets at the end of 1943 amounted to Swiss Fcs. 1,473,255,671 against Swiss Fcs. 1,366,443,327. At the general meeting held on Feb. 25, 1944, a dividend of 4% was proposed as for the previous year. The carry-forward amounted to Swiss Fcs. 3,841,942.81 against Swiss Fcs. 3,475,180.57 for the previous year.

ABA Bank Management Commission Issues Booklet On Check Simplification

A booklet on Check Standardization and Simplification has been prepared by the Bank Management Commission of the American Bankers Association and is being sent to the Association's membership, it was announced by William A. McDonnell, Chairman of the Commission, who is Executive Vice-President of the Commercial National Bank, Little Rock, Ark. The 11-page booklet points out that in recent years there has developed a wide variation in sizes, forms, and the type of printed matter on checks, which has given rise to a constantly growing problem of the handling of checks, and that it is now time for banks and check manufacturers to undertake some steps steps toward simplification. A foreword to the booklet, written by Mr. McDonnell, says:

"It would not seem to be a difficult task for banks to keep these instruments simple in form and standard in sizes. In fact, we achieved this desired result to such an extent years ago that we virtually dismissed the matter from our minds as finished business."

However, the booklet points out, "changes began to creep in. First, some one had the unhappy idea that a check should be a medium of advertising. Then, it was conceived that it should become an instrument of bookkeeping. After these practices had taken root, we came to the age of deducting and withholding, and the simple, standard instrument suddenly blossomed forth into a bookkeeper's nightmare."

The booklet says that completely satisfactory results in efforts at simplification cannot be obtained as long as the war lasts, because of the shortage of engravers' materials, but that some steps can be taken immediately.

"Therefore, the Commission recommends that, for the present, banks insist that their own checks which come up for manufacture be made in the present standard dimensions, and that on new designs the upper hight-hand corner be reserved for the exclusive use of the bank which would show the bank transit number and the amount of the check in figures. There are daily instances where each bank can review and scrutinize the new checks that are being ordered through them and can urge that the checks be manufactured in the dimensions recommended," the boolket sets forth.

"After the war is over and engravers' materials are available, the Commission can then launch a drive for its desired size objective, that all commercial checks be 8¼ inches by 3 1/16 inches in size."

Home Insurance Co. Gain In Assets Disclosed By President Harold V. Smith In 1943 Report

The annual report of The Home Insurance Company, New York, for the year ended Dec. 31, 1943, made public on Feb. 21 by Harold V. Smith, President, shows net premiums written during the year amounting to $61,567,060, which compares with $61,749,316 reported in 1942. Marine premiums decreased $3,839,642, and automobile business declined $2,230,868. This loss in premiums, however, was made up by increased writings in the fire and allied lines.

Total admitted assets at the year-end were $132,106,901, and compare with $116,983,481 reported at the end of 1942.

The balance sheet at Dec. 31, 1943, shows cash of $20,681,230; U. S. Government bonds, $27,406,592; all other bonds and stocks, $69,192,158; first mortgage loans, $376,083; real estate, $3,825,040; agents' balances, less than 90 days due, $9,265,752; reinsurance recoverable on paid losses, $1,286,831, and other admitted assets, $73,215.

Liabilities include reserve for unearned premiums amounting to $49,199,317; reserve for losses, $13,486,728; reserve for taxes, $5,130,000; reserve for miscellaneous accounts, $1,005,540, and funds held under reinsurance treaties, $38,176. Total liabilities except capital, which remains unchanged at $15,000,000, were $68,859,762. Surplus as regards policyholders was $63,247,139.

N. Y. State Factory Employment Again Lower

Factory employment in New York State showed a further decline of 1% between December and January, while payrolls advanced slightly, according to a statement released on Feb. 16 by Industrial Commission Edward Corsi. Employment dropped in most of the major industrial groups, including both war and civilian goods industries. Seasonal gains in the apparel industry were not large enough to offset sharp declines among printing, metals and machinery and food products. The Commissioners report added:

"While payrolls advanced 1.6% in upstate factories, they dropped sharply in New York City, particularly among war plants, thereby cutting the payroll gain to one-half of 1% for the State as a whole.

"The index of factory employment, based on the average of 1935-1939 as 100, stood at 158.0 for January as against 159.6 in December, while the payroll index was 298.8 in January compared with 297.4 in the preceding month. Average weekly earnings were $47.22 this month and $46.16 in December. Comparison with January a year ago shows employment to be 1.3% higher and payrolls 13% greater than they were at that time. The above statements are based on preliminary tabulations covering reports from 2,748 factories throughout the States. Anlyses of these reports are made by the Division of Statistics and Information under the direction of Dr. E. B. Patton."

The Department's statement further stated:

"In the printing industry, newspaper publishers reported declines of 4% in employment and 5% in payrolls, which may reflect the shortage of newsprint. Book and job printers also had fewer workers but their payrolls and hours increased. The employment decline for the group was 2.2% while payrolls were 1.2% smaller.

"An employment decrease of 1.4% in the food industry was the result of further curtailment at canneries, ice cream plants, bakeries, candy factories and breweries. Meat packers, flour millers and sugar refiners hired a few additional workers. Payrolls were slightly higher for the group. Other industries which had notable employment losses this month were textiles, leather, stone, clay and glass and tobacco. Payrolls, however, were higher in all of those except leather.

"Most branches of the clothing industry employed additional workers this montth and their payrolls were much greater, an increase of 7.9% for the group. Large increases were reported by the women's suit, coat and skirt houses as they started work for the spring season. Dress factories and milliners also were busier. Men's tailoring and children's clothing firms increased activity. Furriers curtailed operations sharply because of seasonal slackness.

"Most war plants operated with fewer workers in January, but in some of the upstate districts, payrolls advanced because of increased working hours. Decreased employment was reported by manufacturers of aircraft, ships, electrical and communication equipment and scientific instruments. Steel mills and tin can factories also had fewer employees, as well as the nonferrous metals industry. Employment dropped 1.7% and payrolls decreased 0.6% for the metals and machinery group as a whole."

John Wetzel Dead

John Wetzel, Comptroller of the Bayside National Bank, Bayside, Queens, Long Island, N. Y., whose appointment to the faculty of the Graduate School of Banking was announced on Feb. 18, passed away suddenly on Feb. 20 in Chicago, Ill.

Mr. Wetzel, who was a member of the Commission on Country Bank Operations of the American Bankers Association, was stricken with a heart attack en route to a meeting of the Commission in Chicago. Ill upon his arrival in that city, he was taken to St. Luke's Hospital, where he died shortly after.

A graduate of The Graduate School of Banking, Mr. Wetzel, who was 38 years old, had established a reputation in banking circles outstanding for one of his years. He entered the banking business in 1924 as a bookkeeper for the Hudson Trust Company, Union City, N. J. In 1928 he was made savings teller for that institution, in which capacity he served until 1931, when he was advanced to the position of note teller.

Throughout his banking career, Mr. Wetzel pursued his education during the hours that he was free from the responsibilities of his banking positions. He attended classes in the evening division of New York University, and later enrolled in the Bergen County Chapter of the American Institute of Banking, from which he received the Standard Certificate in 1936. Subsequently, he was elected President of the Bergen County AIB Chapter.

He entered The Graduate School of Banking, institution for advanced banking studies conducted by the ABA for bank officers at Rutgers University, in 1937. He graduated in the GSB class of 1939 and was the author of a thesis on "The Practical Operation of a Small Bank's Credit Function." This thesis was recommended by the GSB faculty for permanent inclusion in the Library of the American Bankers Association.

In 1937, the year he became a GSB student, he was named Assistant Secretary of the Ridgefield Park Trust Co., in Ridgefield Park, N. J. In 1939 he was appointed Assistant Secretary and Assistant Treasurer of that institution. In April, 1941, he was named Assistant Cashier of the Bayside National Bank, and was elected Comptroller in January, 1943, in which capacity he served until his death.